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MICROFICHE CONTROL LABEL



REGISTRANT'S NAME

Exel plc

\*CURRENT ADDRESS

Ocean House

The Ring

Blacknell, RG12 1AN

U.K

\*\*FORMER NAME

\*\*NEW ADDRESS

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FISCAL YEAR

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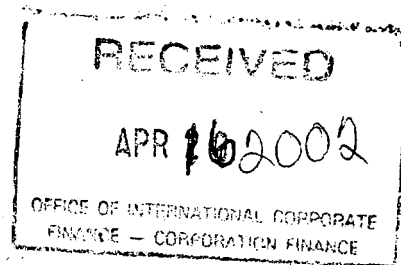
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a partner for growth in  
supply chain management



interim report 2000

Exel, one of the world's largest supply chain management companies formed by the merger of Ocean Group and Exel (formerly NFC) in May 2000, unites Ocean's leading position in air and sea freight through MSAS Global Logistics with Exel's strength in ground-based logistics.

The Group provides worldwide supply chain solutions to leading companies in key industries, including automotive, chemical, consumer, healthcare, technology and retail. Supply chain services include regional and global freight management, warehousing and distribution, manufacturing and retailer inbound services, pre-sales and global aftermarket logistics and home delivery.

- employs more than 55,000 employees in over 1,300 locations worldwide
- operates in more than 120 countries reaching 99% of the global economy
- numbers two-thirds of the world's 250 largest companies (excluding financial institutions) amongst its customers

- Consumer/Retail/Healthcare, Europe
- Consumer/Retail/Healthcare, Americas
- Development & Automotive
- Technology & Global Freight Management
- Asia Pacific



# financial highlights

Underlying operating profit for continuing operations up 18.2% on turnover increase of 32.6%

Integration progressing smoothly and rapidly

Strong progress within the logistics businesses with turnover up 33.2% (14.9% excluding acquisitions) and underlying operating profit up 21.2% (10.5%)

Freight management benefited from 23% increase in export airweight

Interim dividend of 6.8p per share declared

Full year outlook remains in line with our expectations

*In a statement today, Chief Executive John Allan said: "The merger has been well received by our customers. We believe that with the extensive capabilities of our new group and the strategy we are following, we are positioned to continue to grow strongly."*

	2000 Half year ended 30 June £m	1999 Half year ended 30 June £m	% inc	1999 Year ended 31 December £m
Turnover (continuing operations)	2,115.7	1,595.5	32.6	3,589.8
Operating profit*				
Continuing operations	96.2	81.4	18.2	180.4
Discontinued operations	1.8	17.6	-	38.7
Net interest	(7.1)	(7.6)		(17.2)
Pre-tax profit*	90.9	91.4	(0.5)	201.9
Basic earnings per share*	19.5p	20.1p	(3.0)	44.4p

\*Underlying, before goodwill and exceptional items



# report to shareholders

**Results** Turnover on continuing operations for the half year ended 30 June 2000 was up 32.6% to £2,115.7m. Total turnover, which includes turnover from discontinued operations, increased by 8.4% to £2,121.9m. Operating profit on continuing operations before goodwill amortisation and exceptional items rose by 18.2% to £96.2m.

Profit before tax, goodwill and exceptionals fell by 0.5% to £90.9m, due to the impact of the disposals of Allied Pickfords Moving Services and Cory Towage, which reduced the results by £8.1m. The overall impact of exchange has been minimal.

There was a net loss of £14.3m on exceptional items. The costs of the merger at the half year were £61.0m comprising £30.0m for the transaction mainly consisting of advisors' fees and stamp duty, £21.0m for the costs of terminating former Exel plc share schemes and £10.0m for reorganisation costs. These costs were offset by £27.4m from the profit on disposal of land and buildings (principally Paddington) and £19.3m from the disposal of Cory Towage.

The sale of Allied Pickfords in November 1999 resulted in a net profit on disposal, after reorganisation costs, of £90.0m which,

despite arising after the 30 September year end of the former Exel, falls into the prior period for these accounts.

Net cash inflow in the half year from operating activities was £119.6m (1999: £80.1m) which after investment, tax and funding costs resulted in a net inflow of £51.5m in the first half of this year (1999: outflow of £35.3m).

Net debt at 30 June of £155.4m was £81.4m better than at the same point last year, reflecting a net inflow from acquisitions and disposals over the 12 months of £74.8m.

**Integration** It is only 90 days since the merger became unconditional. In that time we have made good progress in integration with an organisational structure designed to meet the needs of our customers and have announced over 100 senior appointments. We have identified many revenue growth opportunities through expanding with existing customers our geographical and service coverage and also by targeting new customers. In addition, we have started work on cost reduction projects and are confident that we can achieve the anticipated £15m per annum savings by the end of 2001.

## **Review of Logistics continuing**

**operations** Overall we have made strong progress within the logistics businesses, with turnover up 33.2% and operating profit before goodwill and exceptional items up 21.2%. Excluding the impact of acquisitions, turnover increased by 14.9% and operating profit by 10.5%. Turnover grew more strongly than profit because of mix changes and investment, principally in the UK and USA, to support future growth. Freight management benefited from a 23% increase in export airweight.

Operating profit for the UK and Ireland fell by £1.0m to £33.9m whilst turnover rose 10.0%. Good performances were seen in Electronics, Tradeteam (which successfully extended its contract with Bass for a further 5 years) and the former McGregor Cory businesses. In addition there was a good performance from our Mail & Express businesses. These were offset by weaker performances within UK freight forwarding and the retail and national operating sectors of old Exel. In addition we have invested £3.5m in e-commerce initiatives and the further development of the Freight Forwarding European Shared Service Centre in Dublin.

## We are pleased to report encouraging first results for Exel plc following the merger of Ocean Group with Exel.

As required by UK accounting standards, the results are presented as if the two entities had always been combined and therefore the current year amounts and the prior year comparatives are for the merged business.

Turnover in continental Europe and Africa was up 10.9%, with profit up £2.2m or 105%. Excluding acquisitions, turnover rose by a more modest 4.3% with operating profit up 66.7%. There were good performances by the freight forwarding businesses in Scandinavia and Italy and the logistics businesses in Spain and Germany. Management remains focused on improving the performance of the French and German temperature controlled networks.

Turnover in the Americas region, up by 97.7% overall, was ahead 28.2% excluding the acquisition of Mark VII. Operating profit was up 48.8% to £24.7m or 16.9% excluding acquisitions. Strong performances were seen in USA, Canada and Mexico with a number of major business wins. There was continued growth within MSAS North American Logistics (formerly Skyking), where profits were nearly twice their level of last year. Despite strong turnover growth in USA international freight forwarding, competitive pressures and increased headcount to service major customers adversely impacted profits. Mark VII had a slower start following the very strong finish last year.

Asia Pacific continued the recovery that was seen in 1999, with turnover up 27.4% and operating profit up 58.2% on last year to £8.7m, all organic growth. There were strong performances throughout the region in freight forwarding with major new business wins. Particularly good results were seen in Taiwan, Singapore, Malaysia and Japan. The region has potential for significant growth within contract logistics drawing on former Exel's expertise and the MSAS network coverage. We look forward to the opening of our new facility in Penang later this year.

#### **Review of Environmental operations**

Operating profit increased by 9.2% to £7.1m on turnover up 11.2%; excluding the acquisition of Parkhill Reclamation, acquired in September 1999, the results would have been similar to last year. Parkhill's existing sites performed slightly behind expectations with prices affected by competition. Overall landfill prices stayed broadly flat, although in some areas competitors chased volume at the expense of price. Our municipal business has been trading ahead of last year and has just been awarded a seven year refuse collection and street cleaning contract from Milton Keynes Council to conclude a good first half.

**Interim dividend** We are pleased to advise that an interim dividend of 6.8p per share will be paid to shareholders on 2 October. This is an increase of 7.1% over Ocean Group's 1999 interim dividend of 6.35p per share and is being paid 1 month in advance of last year's payment.

**Strategy and outlook** Our logistics businesses are operating in markets that continue to show good growth as companies outsource more of their supply chains. We believe that with the extensive capabilities of our new group and the strategy we are following (outlined further on the next two pages), we are positioned to continue to grow strongly.

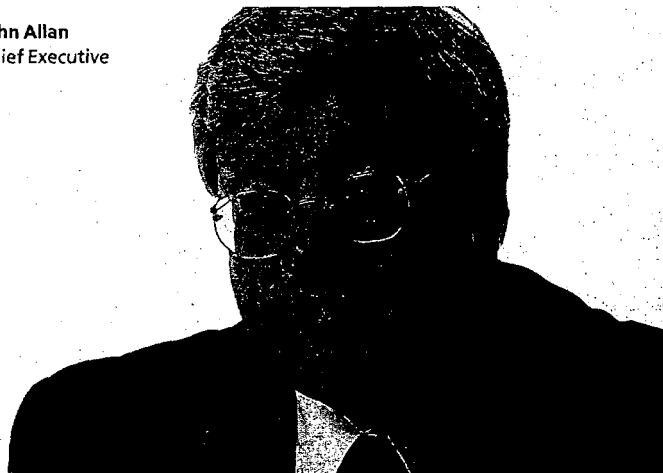
The merger has been well received by our customers and integration is progressing smoothly and rapidly, although much remains to be done. We remain confident that the full year outcome will be in line with our expectations.

John Devaney  
John Allan  
28 July 2000

**John Devaney**  
Chairman



**John Allan**  
Chief Executive



Exel will be the preferred, global supply chain partner to its customers. Exel's skilled and motivated people will create value for customers and shareholders through consistently superior delivery of innovative business solutions.

- Exel will be recognised globally for
- Innovation and creativity in its business solutions
  - Its depth of industry knowledge and operational experience
  - Excellence in service delivery
  - Its strategic partnership approach to customers
  - Leadership in change management and knowledge sharing
  - Attraction, retention and development of skilled and motivated people
  - Consistent growth in revenue and economic value



## Strategic focus

- Focus on key customers and sectors
- Build on key customer relationships to expand geographic and service penetration
- Develop innovative and objective customised solutions to meet individual customer requirements
- Strengthen positions in key market sectors and develop new sector opportunities
- Provide consistent global management processes and capability

- Achieve global coverage and strong market positions in air freight, sea freight and third party logistics (3PL)
- In air freight, be a top 5 player in the world's top 20 markets
- In sea freight, develop a strong market position on all major lanes
- In 3PL, build on existing coverage of 25 countries across 6 continents with particular emphasis on strengthening European coverage and fast growth economies

- Enhance global IT capability to support global network and integrated supply chain management
- Expand resources to design and implement integrated supply chain solutions as a credible lead logistics provider
- Identify and secure major outsourcing projects
- Increase e-commerce capabilities to support supply chain management opportunities in both B2B and B2C markets





## Group profit and loss account (unaudited)

	Note	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
<b>Turnover</b>				
Continuing operations: Group and share of joint ventures' turnover		2,115.7	1,595.5	3,589.8
Discontinued operations		6.2	361.6	688.1
	7	2,121.9	1,957.1	4,277.9
Less share of joint ventures' turnover		(12.6)	–	(15.3)
<b>Group turnover</b>		<b>2,109.3</b>	<b>1,957.1</b>	<b>4,262.6</b>
<b>Operating profit</b>				
Continuing operations		89.2	79.3	173.0
Discontinued operations		1.8	17.5	38.5
<b>Continuing operations before goodwill and exceptional items</b>	7	<b>96.2</b>	<b>81.4</b>	<b>180.4</b>
Discontinued operations before goodwill and exceptional items		1.8	17.6	38.7
Goodwill amortisation		(7.0)	(2.2)	(7.6)
<b>Total operating profit before exceptional items</b>	7	<b>91.0</b>	<b>96.8</b>	<b>211.5</b>
Exceptional operating costs	8	–	(6.5)	(10.3)
<b>Total operating profit</b>		<b>91.0</b>	<b>90.3</b>	<b>201.2</b>
Profit on disposals of properties in continuing operations	8	27.4	3.3	1.5
Profit on disposals of discontinued operations	8	19.3	–	95.6
Costs of reorganisation in continuing operations	8	(61.0)	–	(5.6)
<b>Profit on ordinary activities before interest</b>		<b>76.7</b>	<b>93.6</b>	<b>292.7</b>
Net interest		(7.1)	(7.6)	(17.2)
<b>Profit before tax, goodwill and exceptional items</b>		<b>90.9</b>	<b>91.4</b>	<b>201.9</b>
Goodwill amortisation		(7.0)	(2.2)	(7.6)
Exceptional items		(14.3)	(3.2)	81.2
<b>Profit on ordinary activities before taxation</b>		<b>69.6</b>	<b>86.0</b>	<b>275.5</b>
Tax on profit on ordinary activities		(29.6)	(30.1)	(65.9)
Tax on exceptional items		–	–	1.1
<b>Profit on ordinary activities after taxation</b>		<b>40.0</b>	<b>55.9</b>	<b>210.7</b>
Equity minority interests		(4.8)	(3.6)	(8.3)
<b>Earnings</b>	9	<b>35.2</b>	<b>52.3</b>	<b>202.4</b>
Dividends		(20.2)	(20.7)	(56.9)
<b>Retained profit</b>		<b>15.0</b>	<b>31.6</b>	<b>145.5</b>
<b>Basic earnings per share</b>				
	9	12.1	18.2	70.4
<b>Basic earnings per share before goodwill and exceptional items</b>	9	<b>19.5</b>	<b>20.1</b>	<b>44.4</b>
<b>Diluted earnings per share</b>				
	9	12.0	18.0	69.4
<b>Diluted earnings per share before goodwill and exceptional items</b>	9	<b>19.2</b>	<b>19.8</b>	<b>43.8</b>



## Group cash flow statement (unaudited)

	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
<b>Reconciliation of operating profit to operating cash flow</b>			
<b>Operating profit</b>	<b>91.0</b>	90.3	201.2
Depreciation	45.5	47.6	99.7
Amortisation of goodwill	7.0	2.2	7.6
Amortisation of fixed asset investments	0.8	0.6	1.1
Profit on disposals of tangible fixed assets	(0.8)	(1.0)	(3.2)
Share of profit of joint ventures and associates	(1.8)	(0.4)	(2.5)
Costs of reorganisation in continuing operations	(27.6)	–	–
Movements in pensions prepayments	(18.0)	(16.6)	(34.2)
Movements in provisions	(4.0)	(0.1)	(5.6)
Movements in working capital	27.5	(42.5)	(51.3)
<b>Net cash inflow from operating activities</b>	<b>119.6</b>	80.1	212.8

## Group cash flow statement

<b>Net cash inflow from operating activities</b>	<b>119.6</b>	80.1	212.8
Dividends received from joint ventures and associates	0.8	–	1.5
Net cash outflow for returns on investments and servicing of finance	(18.0)	(9.4)	(20.1)
Tax paid	(34.6)	(32.9)	(47.3)
Purchases of fixed assets and investments	(71.9)	(61.2)	(153.4)
Disposals of fixed assets	40.9	23.6	56.3
Net cash outflow for capital expenditure and financial investment	(31.0)	(37.6)	(97.1)
Acquisitions	(26.3)	(2.5)	(201.4)
Disposals	77.2	–	222.8
Net cash inflow/(outflow) for acquisitions and disposals	50.9	(2.5)	21.4
Equity dividends paid	(36.2)	(33.0)	(53.8)
<b>Net cash inflow/(outflow) before use of liquid resources and financing</b>	<b>51.5</b>	(35.3)	17.4
Net cash inflow from management of liquid resources	3.1	35.6	106.1
Net cash inflow from financing	23.8	16.7	146.8
<b>Increase in cash</b>	<b>78.4</b>	17.0	270.3

### Reconciliation of net cash flow to movement in net debt

Increase in cash	78.4	17.0	270.3
Cash inflow from increase in debt	(11.6)	(6.5)	(136.5)
Cash inflow from change in liquid resources	(3.1)	(35.6)	(106.1)
Change in net funds resulting from cash flows	63.7	(25.1)	27.7
Arising on acquisitions	0.4	(2.3)	(32.8)
Released on disposals	–	–	0.1
Non-cash movements	(17.5)	(14.0)	(1.6)
Movement in net debt	46.6	(41.4)	(6.6)
Opening net debt	(202.0)	(195.4)	(195.4)
<b>Closing net debt</b>	<b>(155.4)</b>	(236.8)	(202.0)



## Group balance sheet (unaudited)

	Note	30.6.00 £m	30.6.99 £m	31.12.99 £m
<b>Fixed assets</b>				
Intangible assets		253.2	83.2	255.5
Tangible assets		589.9	654.3	618.8
Investments		77.4	63.9	72.1
		920.5	801.4	946.4
<b>Current assets</b>				
Stocks		12.1	16.4	15.5
Debtors:				
Amounts falling due within one year		840.4	739.1	840.1
Amounts falling due after more than one year		287.9	260.7	265.4
Current asset investments		3.2	76.8	6.3
Cash at bank and in hand		212.8	113.4	309.1
		1,356.4	1,206.4	1,436.4
<b>Creditors: amounts falling due within one year</b>				
Short-term borrowings		(56.9)	(135.4)	(107.3)
Other creditors		(844.4)	(720.9)	(853.5)
<b>Net current assets</b>		455.1	350.1	475.6
<b>Total assets less current liabilities</b>		1,375.6	1,151.5	1,422.0
<b>Creditors: amounts falling due after more than one year</b>				
Long-term borrowings		(314.5)	(291.6)	(410.1)
Other creditors		(6.1)	(33.5)	(22.8)
<b>Provisions for liabilities and charges</b>		(179.0)	(191.7)	(181.8)
		876.0	634.7	807.3
<b>Equity shareholders' funds</b>		855.5	607.5	787.1
Non-equity shareholders' funds		–	3.6	–
<b>Shareholders' funds</b>	10	855.5	611.1	787.1
Equity minority interests		20.5	23.6	20.2
		876.0	634.7	807.3
<b>Net debt</b>		(155.4)	(236.8)	(202.0)
<b>Gearing</b>		18.2%	39.0%	25.7%

## Statement of total recognised gains and losses (unaudited)

	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
Earnings	35.2	52.3	202.4
Exchange differences	0.6	1.0	0.4
Tax on exchange differences	–	–	(0.2)
Total gains and losses relating to the period	35.8	53.3	202.6
Prior year adjustment – UITF 24	(9.3)		
<b>Total gains and losses recognised in the period</b>	26.5		



## Notes to the interim accounts (unaudited)

### 1 Merger and names

On 21 February 2000, Ocean Group plc and NFC plc announced plans for the merger of their respective businesses. On 23 February, NFC plc changed its name to Exel plc. On 26 July, Exel plc changed its name to Exel Investments plc and Ocean Group plc changed its name to Exel plc. The merger, which became unconditional on 4 May 2000, was effected by way of an offer by Ocean Group plc for the whole of the issued share capital of NFC plc, being 543.5m shares of 6<sup>2</sup>/<sub>3</sub> pence each, for a consideration of 150.8m shares of 27<sup>7</sup>/<sub>8</sub> pence each.

### 2 Merger accounting

These accounts have been prepared under merger accounting principles, as set out in FRS 6, Acquisitions and Mergers. Under merger accounting, the results and cash flows of Ocean and Exel are combined from the beginning of the financial year in which the merger occurred, i.e. the financial year to 31 December 2000, and for all prior periods. The comparative amounts for the profit and loss account, cash flow statement and balance sheet have been restated accordingly and adjustments have been made to achieve consistency of accounting policies (see note 4).

### 3 Accounting policies

The interim accounts have been prepared on the basis of the accounting policies set out in the 1999 accounts of Ocean Group plc, other than the change referred to in note 5. The taxation charge is based on the estimated effective rate for the full year.

### 4 Alignment of accounting policies

Prior to the merger, the former Exel plc's policy was to revalue freehold and long leasehold buildings to existing use value. Following the merger, all land and buildings are carried in the balance sheet at historical cost less any impairment. The impact of this adjustment on the balance sheet at 30 April 2000 (the nearest practicable date to the date of the merger) is a reduction in tangible fixed assets and shareholders' funds of £45.7m. In the half year ended 30 June 2000, the depreciation charge has been reduced and operating profit increased by £0.2m (half year ended 30 June 1999: £0.2m; year ended 31 December 1999: £0.5m).

### 5 Change in accounting policy

Following the introduction of UITF Abstract 24, Accounting for start-up costs, the Group has changed its accounting policy for contract start-up costs. Previously, such costs, which were agreed with the customer and generated incremental revenue streams in the early years of a contract, were included in prepayments and subsequently written off against the related revenue. In accordance with UITF 24, however, these costs are now accounted for on a basis consistent with the accounting treatment of similar costs incurred as part of the Group's on-going activities.

The impact of this change in accounting policy has been as follows:

- (a) prepayments of £27.7m have been written off, tax provisions and creditors reduced by £8.7m and minority interests reduced by £9.2m at 31 December 1998, as prior year adjustments and
- (b) operating profit has been increased in the half year ended 30 June 2000 by £1.7m (half year ended 30 June 1999: £1.2m; year ended 31 December 1999 £2.6m).

### 6 Statutory group accounts

The accounts for the year ended 31 December 1999 set out above are not the Company's statutory accounts. Statutory group accounts for NFC plc (now Exel Investments plc) for the year ended 30 September 1999 and for Ocean Group plc (now Exel plc) for the year ended 31 December 1999, on which the respective auditors gave unqualified reports (which made no statements under sections 237 (2) or (3) of the Companies Act 1985), have been filed with the Registrar of Companies.



# Notes to the interim accounts (unaudited) continued

## 7 Segmental information

	Turnover			Operating profit		
	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
<b>Before goodwill and exceptional items</b>						
<b>Logistics</b>						
United Kingdom and Ireland	685.5	623.3	1,315.4	33.9	34.9	71.9
Continental Europe and Africa	398.8	359.6	745.3	4.3	2.1	9.0
Americas	726.2	367.3	978.4	24.7	16.6	39.3
Asia Pacific	254.7	199.9	457.8	8.7	5.5	14.1
Total	2,065.2	1,550.1	3,496.9	71.6	59.1	134.3
<b>Environmental</b>	50.5	45.4	92.9	7.1	6.5	14.1
	2,115.7	1,595.5	3,589.8	78.7	65.6	148.4
<b>Pensions credit (UK)</b>	-	-	-	17.5	15.8	32.0
<b>Continuing operations before goodwill and exceptional items</b>						
	2,115.7	1,595.5	3,589.8	96.2	81.4	180.4
Discontinued operations	6.2	361.6	688.1	1.8	17.6	38.7
Goodwill amortisation	-	-	-	(7.0)	(2.2)	(7.6)
<b>Total before exceptional items</b>	2,121.9	1,957.1	4,277.9	91.0	96.8	211.5
Exceptional operating costs	-	-	-	-	(6.5)	(10.3)
<b>Total</b>	2,121.9	1,957.1	4,277.9	91.0	90.3	201.2
<b>After goodwill and exceptional items</b>						
<b>Logistics</b>						
United Kingdom and Ireland				32.8	29.5	61.7
Continental Europe and Africa				4.0	1.0	7.6
Americas				20.4	15.8	35.1
Asia Pacific				8.6	5.4	13.9
Total				65.8	51.7	118.3
<b>Environmental</b>				5.9	6.4	13.5
				71.7	58.1	131.8
<b>Pensions credit (UK)</b>				17.5	15.8	32.0
<b>Total continuing operations</b>				89.2	73.9	163.8
<b>Discontinued operations</b>				1.8	16.4	37.4
<b>Total operating profit</b>				91.0	90.3	201.2
<b>Analysis of continuing operations before goodwill and exceptional items</b>						
Ocean Group plc	1,142.3	713.8	1,737.6	38.9	29.9	73.9
Old Exel	973.4	881.7	1,852.2	57.3	51.5	106.5
	2,115.7	1,595.5	3,589.8	96.2	81.4	180.4



# Notes to the interim accounts (unaudited) continued

## 8 Exceptional items

	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
Reorganisation of infrastructure in continuing operations in the United Kingdom and Ireland (£4.4m) and Continental Europe (£1.0m) and in discontinued operations (£1.1m)	–	(6.5)	(6.5)
Costs of establishing a European Service Centre in Dublin for accounting services	–	–	(3.8)
<b>Exceptional operating costs</b>	–	(6.5)	(10.3)
Share of joint venture profit on disposal of Paddington land and buildings	25.8	–	–
Profit on disposals of other properties	1.6	3.3	1.5
<b>Profit on disposals of properties</b>	27.4	3.3	1.5
Profit on disposal of Cory Towage	19.3	–	–
Profit on disposal of Allied Pickfords Moving Services	–	–	95.6
<b>Profit on disposals of discontinued operations</b>	19.3	–	95.6
Costs of termination of former Exel plc share schemes following the merger	(21.0)	–	–
Merger transaction costs	(30.0)	–	–
Reorganisation costs following the merger	(10.0)	–	–
Reorganisation costs following disposal of Allied Pickfords Moving Services	–	–	(5.6)
<b>Costs of reorganisation in continuing operations</b>	(61.0)	–	(5.6)

## 9 Earnings and earnings per share

Earnings per share is based on earnings less the dividend on the redeemable B shares divided by the weighted average number of shares.

	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
Earnings	35.2	52.3	202.4
Less dividend on redeemable B shares	–	(0.1)	(0.2)
	35.2	52.2	202.2
Add goodwill amortisation and exceptional items	21.3	5.4	(73.6)
Less tax credit on exceptional items	–	–	(1.1)
<b>Earnings before goodwill amortisation and exceptional items</b>	56.5	57.6	127.5
Basic average number of shares	290.1	287.2	287.4
Dilutive potential ordinary shares	4.3	3.6	3.8
<b>Diluted average number of shares</b>	294.4	290.8	291.2



# Notes to the interim accounts (unaudited) continued

## 10 Movements in shareholders' funds

	Half year ended 30.6.00 £m	Half year ended 30.6.99 £m	Year ended 31.12.99 £m
Earnings	35.2	52.3	202.4
Dividends	(20.2)	(20.7)	(56.9)
	15.0	31.6	145.5
Shares allotted	50.9	18.5	24.5
Contribution to QUESTs	(5.0)	(8.1)	(8.1)
Redemption of B shares	–	(2.7)	(6.3)
Exchange differences	0.6	1.0	0.4
Tax on exchange differences	–	–	(0.2)
Goodwill released on disposals	8.5	–	63.0
Goodwill on acquisitions prior to 1 January 1998	(1.6)	–	(2.5)
Net movement in shareholders' funds	68.4	40.3	216.3
Opening shareholders' funds	787.1	570.8	570.8
<b>Closing shareholders' funds</b>	<b>855.5</b>	<b>611.1</b>	<b>787.1</b>

## Analysis of opening shareholders' funds

Exel plc (formerly Ocean Group plc)	379.8	356.7	356.7
Exel Investments plc (formerly Exel plc)	462.4	270.8	270.8
Accounting policy alignment	(45.8)	(46.9)	(46.9)
Accounting policy change	(9.3)	(9.8)	(9.8)
	787.1	570.8	570.8

## 11 Foreign currencies

Results of businesses accounting in foreign currencies are translated at average rates of exchange ruling in the period. Balance sheets of such businesses are translated at rates ruling at the balance sheet dates. The significant exchange rates relative to sterling used in the preparation of these accounts were as follows.

	Half year ended 30.6.00		Half year ended 30.6.99		Year ended 31.12.99	
	Average	Period end	Average	Period end	Average	Year end
US dollar	1.57	1.51	1.62	1.58	1.62	1.62
Euro	1.64	1.60	1.49	1.53	1.52	1.61
Singapore dollar	2.69	2.63	2.76	2.70	2.74	2.69



## Independent review report to Exel plc

### **Introduction**

We have been instructed by the Company to review the financial information set out on pages 8 to 14 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the half year ended 30 June 2000.

### **Ernst & Young**

London  
28 July 2000

### **Change of Auditors**

Following the merger, PriceWaterhouseCoopers have resigned as auditors of Ocean Group plc and its subsidiaries and Ernst & Young have been appointed as world wide auditors of the new group for the year ending 31 December 2000.

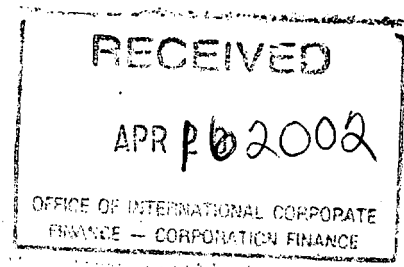


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EXEL plc

**Memorandum and Articles  
of  
Association**



THE COMPANIES' ACT 1862 TO 1900  
THE COMPANIES ACT 1980

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MEMORANDUM OF ASSOCIATION

OF

EXEL plc

(NOTE:- This Memorandum has been altered by Special Resolutions passed 19th May 1948, 8th March 1965, 4th January 1973 and 24th May 1994 and by Resolution of the Directors passed 24th November 1981)

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1. The name of the Company is OCEAN TRANSPORT & TRADING PLC[1].
2. The Company is to be a public company.
3. The Registered Office of the Company will be situate in England.
4. The objects for which the Company is established are all or any of the following, the Company having power to do any part of the matters mentioned in one paragraph apart from any other part of the same matters, and none of the general or other descriptions given in this clause shall be subject to limitation or qualification by any other part of this clause, or the name of the company or the nature of any trade or business carried on by the company, nor by the fact that at any time the company is not carrying on any trade or business nor shall they be limited to matters of the same or a similar kind to those therein previously or elsewhere mentioned or referred to, viz:-
  - (A) (i) To carry on business as a general commercial company and to carry on any trade or business whatsoever.
  - (ii) To acquire any estate or interest in and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act as a holding company.
  - (iii) To provide services of all descriptions.

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[1] By special resolution passed on 30th January 1990 the name of the Company was changed from Ocean Transport & Trading plc to Ocean Group plc. Further to an enabling resolution passed on 27th April 2000 the name of the Company was changed to Exel plc on 26th July 2000.

- (iv) To convey in or by vessels belonging to the Company or to others, passengers, goods, merchandise, mails, troops, munitions of war and treasure, whether belonging to members of the Company or others, to and from such places as the Directors of the Company for the time being may determine, and with or by vessels belonging to the Company or to others, to tow, assist or render salvage services to vessels of any description, and either alone or in connection with other companies or individuals, to build, maintain, alter, improve, purchase, charter, take on lease or hire and exchange and also to charter or hire, sell, lease or let, or otherwise dispose of and trade in steam or other ships or vessels, coal hulks, receiving ships, craft, lighters, warehouses, houses, docks, wharves, yards, land, cattle or live stock, merchandise or treasure, machinery, patents, plants, rights and privileges or any parts or shares thereof, or other interest therein respectively.
- (B) To carry on all or any of the following businesses in all their respective branches, that is to say: shipowners, merchants, carriers by land and water, shipbrokers, underwriters, and insurers of ships, goods, lives, and property, and against risks of every or any kind, insurance brokers, ship builders, and repairers, engineers, and boiler makers, warehousemen, wharfingers, master porters, stevedores, barge owners, lightermen, railway and forwarding agents, commission brokers, ice merchants, refrigerating store keepers, factors and dealers, and traders in all goods, wares, merchandise and property, and to carry on any other businesses whatsoever, which are in the opinion of the Directors capable of being carried on by the Company in connection with, or as auxiliary to, any business for the time being carried on by the Company, and generally to transact and undertake and carry into effect all such commercial, financial and trading or other businesses or operations as may seem to the Directors directly or indirectly conducive to any of the Company's objects.
- (C) To insure or act as underwriters of the whole or any part of the property or rights belonging to the Company, or in which the Company has any insurable interest, and the lives of all or any employees of the Company, either fully or partially, against every or any insurable risk of whatsoever kind, including any insurance with any employee of the Company, and to insure against claims or liabilities arising out of death of or injury to any person, whether an employee of the Company or not, and to acquire shares in, or become members of any Company, Society, Club or Association, for insuring such property or rights, or for insuring against such claims or liabilities.
- (D) To lend and advance money, or grant or provide credit or financial accommodation generally to any person, and in particular (without prejudice to the generality) to customers of, and any person, partnership or company, having dealings with the Company, and to make advances to any employees of the Company,

and on such terms and either with or without security as may seem expedient, and to guarantee the performance of contracts by, or become security for members of, or any company having dealings with the Company; to discount bills, to receive money at interest or otherwise, and valuables on deposit, and to collect, transmit and distribute money and securities for money, and to undertake any financial business or operation which may seem expedient, with or without security, and to transact any of the business of a banker which may seem expedient.

- (E) To raise or borrow money and accept money on deposit and to secure or discharge any debt or obligation in any manner, and in particular (without prejudice to the generality) to secure the payment of money by the issue of or upon debentures or debenture stock, perpetual, terminable, or otherwise, or bonds or other obligations with or without any specific or floating charge or security, or charged or not charged upon, or by mortgage, charge, hypothecation, lien, or pledge of the whole or any part of the undertaking, property, assets and rights of the Company, both present and future, including or not including its uncalled capital, and generally in such other manner and on such terms as may seem expedient; and to issue any of the Company's securities for such consideration and on such terms as may be thought fit; and also by a similar mortgage, charge, or lien to secure and guarantee the performance by the Company of any obligation or liability it may undertake, and to redeem, purchase, or pay off any such securities.
- (F) To invest, apply and deal with the moneys of the Company in any manner authorised for trust investments, or in the purchase or upon the security of bonds, debentures, debenture stock, shares (ordinary or preferred or preference, and whether fully paid up or not), or stock or securities of any company, corporation, or public body, municipal, commercial or otherwise, and whether situated or carrying on business in the United Kingdom or abroad, or in such other manner and upon such other debentures, debenture stock, shares (ordinary or preferred or preference, and whether fully paid up or not), or stock or securities, as the Directors may deem advantageous or conducive to the interests of the Company, or in any of the objects specified in sub-clause (C) hereof, and so that the income produced by such investments shall be reckoned as part of the profits of the Company, or an addition to its reserve or depreciation fund, and to place any such moneys on deposit with any person.
- (G) To create, maintain, invest and deal with any reserve or sinking funds, for redemption of debentures, debenture stock, obligations of the Company, or for depreciation of property or for equalization of dividends, or for any other purpose the Company.
- (H) To create, make, draw, accept, endorse, discount, sign, execute, issue and negotiate bills of exchange, promissory notes, charter parties, bills of lading, orders, warrants, debentures, letters

of credit, circular notes and other negotiable or transferable or mercantile instruments.

- (I) To amalgamate or enter into partnership or any profit-sharing arrangement with, or to co-operate or participate in any way with, or to take over or assume any obligation of, or to assist or subsidise any person.
- (J) (i) To establish or promote or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to act as director of and as secretary, manager, registrar or transfer agent for any other company.
- (ii) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums interest dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality) any company which is for the time being a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company.
- (K) To establish, support and subscribe to, or to aid in the establishment, support of, or subscription to associations, institutions, societies, clubs, funds, trusts and conveniences calculated to benefit the Company, or employees or ex-employees of the Company, or the dependents or connections of such person, and to grant donations, pensions, gratuities, allowances and charitable aid to any person who may have served the Company or any company which at any time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company or otherwise associated with the Company or of any predecessor in business of any of them, or to the wives, widows, children, other relatives of dependents or connections of such person, and to make payments towards insurance, and to form and contribute to provident and benefit funds for the benefit of any persons employed by the Company, and to do any other thing likely to benefit any such persons or otherwise to advance the interests of such persons or the Company or its members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of such persons or the Company or its members or for any national, charitable, benevolent, educational, social, public, political, general or useful object. Managers and Directors of the Company shall be

and shall be deemed always to have been in the service of and employees of the Company.

- (L) To establish, maintain or extend, or to subscribe towards the establishment, maintenance or extension of, or to otherwise support or subsidise any conference, combination, confederation, company, corporation, association, institution or fund in anywise connected with any particular trade, or with shipping or trade and commerce generally, or for the maintenance or regulation of freights, or for the protection of the interests of shipowners, masters, owners and employers or any of them, and to become members of or contribute to the funds of any trade association, confederation, club or union.
- (M) To apply for and obtain any legislative, municipal or other Acts or authorisations for enabling the Company to carry any of its objects into effect, or for effecting any modification of the Company's constitution, or for any other purpose which may seem expedient, and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the Company's interests.
- (N) To enter into any arrangements with any Government or authority supreme, municipal, local or otherwise, company or person and to obtain from any such Government, authority company or person, any charter, contracts, decrees, rights, privileges and concessions, and to carry out, exercise and comply with, assign, sell, let, or otherwise dispose of, for money, stock, shares, securities or other consideration, any such arrangements, charters, contracts, decrees, rights, privileges and concessions.
- (O) (i) To sell, exchange, lease mortgage, charge, let, grant licences, easements, options and other rights over, and in any other manner deal with, or in any way dispose of and transfer the undertaking, business, property and rights of the Company (present or future), or any part thereof, for such consideration as the Company may think fit, and in particular (without prejudice to the generality) for shares, stock, debentures or securities of any other company subject or not to any restriction or condition as to transfer or otherwise.
- (ii) To issue and allot securities of the Company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the Company or any services rendered to the Company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose, and to give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the Company or in or about the formation of the company or the conduct or course of its business.

- (iii) To cease carrying on or to wind up any business or activity of the Company, and to cancel any registration of and to wind up or procure the dissolution of the Company in any state or territory.
  - (P) To distribute either upon a distribution of assets or division of profits, among the creditors or the members of the Company in cash, specie or kind, any property of the Company, and in particular any shares, debentures or securities of other companies belonging to the Company, or of which the Company may have the power of disposing.
  - (Q) To employ as ships husbands, managers and general agents of and for the vessels and other property of the Company, or any shares or interest in the same to which the Company may be entitled, any person, firm or company, and that although he or they or it may not be entitled to any share or interest in the Company.
  - (R) To make and carry into effect with any person or persons, firm or firms, company or companies, association or associations (including any person or persons who may at the time of the contract be a shareholder or shareholders in the Company), as underwriters, insurance brokers, freighters, ship owners, ship brokers, ship agents and others, contracts and arrangements for the purposes of the Company.
  - (S) To procure the Company to be registered or recognised or constituted or incorporated in or under the laws of any place outside England.
  - (T) (i) To do all or any of the above things in any part of the world and as principals, agents, contractors, trustees, or otherwise and either by or through trustees, agents, sub-contractors, or otherwise, and either along or in partnership or conjunction with any other person, and to contract for the carrying on of any operation connected with the Company's business by any person.
  - (ii) To carry on any other activity and do anything of any nature which in the opinion of the board of directors of the Company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the Company's undertaking property or assets or otherwise to advance the interests of the Company or of its members.
  - (U) To do all such other things which in the opinion of the board of directors the Company is or may be incidental or conducive to the attainment of the above objects or any of them.
5. The liability of the Members is limited.



6. The Capital of the Company is £425,337[2] divided into £425,337 stock, with power to increase and with power from time to time to issue any shares or stock of the original or new capital with any preferential, guaranteed, special, or qualified rights or conditions, whether fixed, fluctuating, contingent, redeemable or irredeemable, either as to dividend or distribution of assets or both or otherwise over any other shares or stock, or as shares or stock ranking equally with other shares or stock, whether issued or not, and whether preference, ordinary or deferred, and whether then already issued or not or as deferred shares or stock, and with any special right of or restriction, whether absolute or partial, against voting, and to vary the regulations of the Company as far as necessary to give effect to any such preference or priority as well as in any other particulars, and upon the subdivision of a share or stock to apportion the right to participate in profits or in the distribution of assets in any manner as between the shares or stock resulting from such subdivision, and to give to any one or more of such shares or stock any other special privileges or advantages over the other or others of them, and to issue shares credited as partly or fully paid in pursuance of any contract or agreement, and generally on such terms as the Directors may from time to time determine. Dividends may be paid in cash, or by the distribution of specific assets, or otherwise, as provided by the regulations of the Company for the time being.

7. And it is hereby declared that in the constructions of this Memorandum of Association the word "company", except where used in reference to the Company, shall be deemed to include any person or partnership, or other body of persons, whether incorporated or not incorporated, and whether domiciled in the United Kingdom or elsewhere; and words denoting the singular number only shall include the plural number, and vice versa.

The marginal notes shall not affect the construction hereof.

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[2] By resolution passed on 3rd June 1959, 17th September 1965, 30th May 1972, 2nd February 1976 and 20th May 1986 the Capital of the Company was increased to £50,000,000.

# ARTICLES OF ASSOCIATION

of

EXEL plc

(Articles adopted on 24th May 1994 and amended by special resolutions of shareholders on 29th April 1997, 10th December 1998 and 27th April 2000)

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## INTERPRETATION

### Exclusion of Table A

1. No regulations set out in any statute, or in any statutory instrument or other subordinate legislation made under any statute, concerning companies shall apply as the regulations or articles in the company.

### Definitions

2. In these articles unless the context otherwise requires:

**"these articles"** means these articles of association as altered from time to time by special resolution and the expression "this article" shall be construed accordingly;

**"the auditors"** means the auditors for the time being of the company or, in the case of joint auditors, any one of them;

**"the board"** means the board of directors from time to time of the company or the directors present at a meeting of the directors at which a quorum is present;

**"clear days"** in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect;

**“the Companies Acts”** means every statute (including any orders regulations or other subordinate legislation made under it) from time to time in force concerning companies in so far as it applies to the company;

**“the holder”** in relation to any shares means the member whose name is entered in the register as the holder of those shares;

**“member”** means a member of the company;

**“the office”** means the registered office of the company;

**“paid up”** means paid up or credited as paid up;

**“person entitled by transmission”** means a person whose entitlement to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law has been noted in the register;

**“the register”** means the register of members of the company;

**“seal”** means any common or official seal that the company may be permitted to have under the Companies Acts;

**“the secretary”** means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the board to perform any of the duties of the secretary;

**“the London Stock Exchange”** means the International Stock Exchange of the United Kingdom and the Republic of Ireland Limited.

**“United Kingdom”** means Great Britain and Northern Ireland;

references to a document being executed include references to its being executed under hand or under seal or by any other method;

references to writing include references to any method of representing or reproducing words in a legible and non-transitory form;

words or expressions to which a particular meaning is given by the Companies Acts in force when these articles or any part of these articles are adopted bear the same meaning in these articles or that part (as the case may be) save that the word “company” shall include any body corporate; and

references to a meeting shall not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.

Headings and notes are included only for convenience and shall not affect meaning.

### **Form of resolution**

3. (A) Subject to the Companies Acts, where for any purpose an ordinary resolution of the company is required, a special or extraordinary resolution shall also be effective and where for any purpose an extraordinary resolution is required a special resolution shall also be effective.
- (B) A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting properly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more of the members.

### **SHARE CAPITAL**

#### **Authorised share capital and rights of B shares**

4. (A) The authorised share capital of the company at the date of adoption of this paragraph of this article is £50,000,000 divided into 200,000,000 ordinary shares of 25p each.
- (B) The non-cumulative redeemable preference shares of 65¼p each issued by the company pursuant to a resolution of members passed on 10 December, 1998 (the "B Shares") shall have the following rights and restrictions:
  - (i) Income
    - (a) Out of the profits available for distribution in respect of each financial year or other accounting period of the company, the holders of the B Shares shall be entitled, in priority to any payment of dividend or other distribution to the holders of ordinary shares and before profits are carried to reserves, to be paid a non-cumulative preferential dividend ("preferential dividend") per B share at a rate of 4.75 per cent. per annum (exclusive of any associated tax credit relating thereto but inclusive of any withholding tax deductible therefrom), such dividend in respect of the period from 14 December, 1998 to 30 June, 1999 to be paid in arrear on 30 June, 1999 and thereafter such dividend to be paid (without having to be declared)

six monthly in arrear, on 30 June and 31 December each year (provided that in either case, if any such date would otherwise fall on a date which is not a business day (as defined below) it shall be postponed to the next day which is a business day (without any interest or payment in respect of such delay)) (each a "Payment Date"). Each six month period ending on either 30 June or 31 December is called a "Calculation Period" provided that the first such period shall commence on 14 December, 1998 and end on 30 June, 1999.

- (b) In this paragraph, the expression "business day" means a day upon which pounds sterling deposits may be dealt in on the London inter-bank market and commercial banks are generally open in London and "non-cumulative" in relation to the preferential dividend means that the dividend payable on each Payment Date is payable out of the profits of the company available for distribution in respect of the accounting reference period in which the Payment Date falls (including any reserves representing profits made in previous accounting reference periods) without any right in the case of a deficiency to resort to profits made in subsequent accounting reference periods.
- (c) Payments of preferential dividends shall be made to holders on the register of members on a date selected by the directors being not less than 15 days or more than 42 days (or, in default of selection by the directors, on the date falling 15 days prior to the relevant Payment Date).
- (d) The holders of the B Shares shall not be entitled to any further right of participation in the profits of the company.
- (e) All dividends payable on the B Shares which are unclaimed for a period of 12 years from the Payment Date in respect thereof shall be forfeited and shall revert to the company.

(ii) Capital

Except as provided in paragraph 4(B)(v) below, on a return of capital on winding up or otherwise (except on redemption in accordance with the terms of issue of any share, or purchase by the company of any share or on a capitalisation issue or on a special dividend (in cash or kind)), the holders of the B Shares shall be entitled in priority to any payment to the holders of the

ordinary shares to the repayment of the nominal capital paid up on the B Shares held by them together with a sum equal to the relevant proportion of the preferential dividend which would have been payable, if the winding up or other return of capital had taken effect on the last day of the then current Calculation Period, the relevant proportion being the number of days from and including the last Payment Date (or, if the date of such winding up or return of capital is prior to 30 June 1999, 14 December, 1998) to, but excluding, the date of the winding up or other return of capital, divided by 183 (or, if the date of such winding up or return of capital is prior to 30 June, 1999, 198). The aggregate entitlement of each holder of B Shares on a return of capital in respect of all of the B Shares held by him shall be rounded up to the nearest whole penny. The holders of the B Shares shall not be entitled to any further right of participation in the profits or assets of the company. If on such a return of capital the preferential amounts available for payment are insufficient to cover in full the amounts payable on the B Shares, the holders of such shares will share rateably in the distribution of profits or assets (if any) in proportion to the full preferential amounts to which they are entitled.

(iii) Redemption

Subject to the provisions of the Act and to the provisions of these articles, the B Shares shall be redeemed in accordance with the following provisions:

- (a) Unless redeemed earlier, the company shall redeem the outstanding B Shares on 14 December, 2003.
- (b) The company may at any time declare a period during which holders of B Shares can elect to have some or all of their holding of B Shares redeemed on the terms and conditions announced by the company at the time.
- (c) The company shall, on the giving of not less than 21 days' notice in writing to the holders of the B Shares, have the option of redeeming all outstanding B Shares at any time after 30 June, 1999 if more than 80 per cent. of the B Shares originally issued have then been redeemed.
- (d) There shall be paid on each B Share to be redeemed a sum equal to the nominal value of that B Share together with a further amount by way of preferential dividend equal to the relevant proportion of the preferential dividend which

would have been payable, if the redemption had taken effect on the next occurring Payment Date, the relevant proportion being the number of days from and including the last Payment Date (or, if the date of such redemption is prior to 30 June, 1999, 14 December, 1998) to, but excluding, the date of redemption, divided by 183 (or, if the date of such redemption is prior to 30 June, 1999, 198) where the redemption occurs other than in the circumstances specified in paragraph 4(B)(iii)(b) above or on a Payment Date. Where the aggregate redemption proceeds payable to a holder of a B Share in respect of his or her holding of B Shares would otherwise include a fraction of a penny, such aggregate proceeds will be rounded up to the nearest penny.

- (e) The directors may, at the company's option, make such arrangements as they consider fair and reasonable whereby the proceeds of any redemption of B Shares held by holders located outside the United Kingdom will be paid to a financial institution on behalf of such holders for conversion from pounds sterling into the relevant local currency at the best rate reasonably attainable at the relevant time and subsequently paid to such holders.

(iv) Voting at general meetings

The holders of the B Shares shall not be entitled, in respect of their holdings of such shares, to receive notice of any general meeting of the company or to attend, speak or vote at any such general meeting unless (i) the business of the meeting includes the consideration of a resolution for the winding up of the company, in which case the holders of the B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote only on any such resolution or (ii) at the date of the notice convening the meeting, the preferential dividend has remained unpaid for six months or more from any Payment Date in which case the holders of the B Shares shall have the right to attend the general meeting and shall be entitled to speak and vote on all resolutions.

Whenever the holders of the B Shares are entitled to vote at a general meeting of the company, on a show of hands every holder thereof who (being an individual) is present in person or (being a corporation) by representative shall have one vote, and on a poll every such holder shall have one vote for each B Share which he holds provided that if the aggregate number of the votes that

would be capable of being cast by holders of B Shares on a poll on any resolution at a general meeting would exceed 10 per cent. of the total number of votes capable of being cast by all members on any such resolution, the votes of each B Share shall be reduced equally so that such aggregate number of votes capable of being so cast by holders of B Shares shall be 10 per cent. of the total number of votes capable of being so cast by all members.

(v) Class rights

The company may from time to time create, allot and issue further shares, whether ranking *pari passu* with or in priority to the B Shares, and such creation, allotment or issue of any such further shares (whether or not ranking in any respect in priority to the B Shares) shall be treated as being in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose or require the consent of holders of B Shares.

A reduction by the company of the capital paid up on the B Shares shall be in accordance with the rights attaching to the B Shares and shall not involve a variation of such rights for any purpose, and the company shall be authorised to reduce its capital (subject to the confirmation of the Court in accordance with the Companies Acts and without obtaining the consent of the holders of the B Shares) including by paying to the holders of the B Shares the preferential amounts to which they are entitled as set out in paragraph 4(B)(ii) above.

The company shall be under no obligation to redeem any B Shares before effecting any purchase of any class of shares in the company, and any such purchase shall not constitute a variation of the rights attached to the B Shares.

(vi) Form

The B Shares are not renounceable and will be transferable by instrument of transfer in usual or common form.

## Rights attached to shares

5. Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any other shares, any share may be issued with or have attached to it such rights and restrictions as the company may by ordinary resolution



decide or, if no such resolution has been passed or so far as the resolution does not make specific provision, as the board may decide.

#### **Redeemable shares**

6. Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any other shares, any share may be issued which is to be redeemed, or is to be liable to be redeemed at the option of the company or the holder.

#### **Purchase of own shares**

7. Subject to the provisions of the Companies Acts and to any rights conferred on the holders of any class of shares, the company may purchase all or any of its shares of any class, including any redeemable shares. Purchases or contracts for the purchase of, or under which the company may become entitled or obliged to purchase, shares in the company shall be authorised by such resolution of the company as may be required by the Companies Acts and by an extraordinary resolution passed at a separate general meeting of the holders of any class of shares which at the date on which the purchases or contracts are authorised by the company in general meeting entitle them, either immediately or at any time later on, to convert all or any of the shares of that class held by them into equity share capital of the company. Neither the company nor the board shall be required to select the shares to be purchased rateably or in any other particular manner as between the holders of shares of the same class or as between them and the holders of shares of any other class or in accordance with the rights as to dividends or capital conferred by any class of shares.

#### **Variation of rights**

8. Subject to the provisions of the Companies Acts, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the company is being wound up) be varied with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of those shares. All the provisions of these articles as to general meetings of the company shall mutatis mutandis apply to any such separate general meeting, but so that the necessary quorum shall be a person or persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class, that every holder of shares of the class shall be entitled on a poll to one vote for every share of the class held by him, that any holder of shares of the class present in person or by proxy may demand a poll and that at any adjourned meeting of the holders one holder present in person or by proxy (whatever the number of shares held by him) shall be a quorum.

### **Pari passu issues**

9. The rights conferred upon the holders of any shares shall not, unless otherwise expressly provided in the rights attaching to those shares, be deemed to be varied by the creation or issue of further shares ranking pari passu with them.

### **Unissued shares**

10. Subject to the provisions of the Companies Acts and these articles, the unissued shares of the company (whether forming part of the original or any increased capital) shall be at the disposal of the board which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms as the board may decide.

### **Payment of commission**

11. The company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the Companies Acts.

### **Trusts not recognised**

12. Except as ordered by a court of competent jurisdiction or as required by law, no person shall be recognised by the company as holding any share upon any trust and the company shall not be bound by or required in any way to recognise (even when having notice of it) any interest in any share other than an absolute right to the whole of the share in the holder.

## **CERTIFICATES**

### **Right to share certificates**

13. Every person (except a stock exchange nominee in respect of which the company is not by law required to complete and have ready for delivery a certificate) whose name is entered in the register as a holder of any shares shall be entitled, without payment, to receive within two months after allotment or lodgement of a transfer to him of those shares (or within such other period as the terms of issue shall provide) one certificate for all those shares of any one class or several certificates each for one or more of the shares of the class in question upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the board may from time to time decide. In the case of a share held jointly by several persons, delivery of a certificate to one of several joint holders shall be sufficient delivery to all. A member (except such a nominee) who transfers some but not all of the shares comprised in a certificate shall be entitled to a certificate for the balance without charge.

### **Replacement of share certificates**

14. If a share certificate is defaced, worn out, lost or destroyed, it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the company in investigating the evidence and preparing the indemnity as the board may decide and, where it is defaced or worn out, after delivery of the old certificate to the company.

### **Execution of share certificates**

15. Every share certificate shall be executed under a seal or in such other manner as the board having regard to the terms of issue and any listing requirements may authorise, and shall specify the number and class of the shares to which it relates and the amount or respective amounts paid up on the shares. The board may by resolution decide, either generally or in any particular case or cases, that any signatures on any share certificates need not be autographic but may be applied to the certificates by some mechanical means or may be printed on them or that the certificates need not be signed by any person.

### **LIEN**

#### **Company's lien on shares not fully paid**

16. The company shall have a first and paramount lien on every share (not being a fully paid share) for all amounts payable to the company (whether presently or not) in respect of that share. The company's lien on a share shall extend to every amount payable in respect of it. The board may at any time either generally or in any particular case waive any lien that has arisen or declare any share to be wholly or in part exempt from the provisions of this article.

#### **Enforcing lien by sale**

17. The company may sell, in such manner as the board may decide, any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after a notice in writing has been served on the holder of the shares, demanding payment and stating that if the notice is not complied with the shares may be sold. For giving effect to the sale the board may authorise some person to execute an instrument of transfer of the shares sold to or in accordance with the directions of the purchaser. The transferee shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in reference to the sale.

### **Application of proceeds of sale**

18. The net proceeds, after payment of the costs, of the sale by the company of any shares on which it has a lien shall be applied in or towards payment or discharge of the debt or liability in respect of which the lien exists so far as it is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the shares prior to the sale and upon surrender, if required by the company, for cancellation of the certificate for the shares sold) be paid to the person who was the holder immediately before the sale.

### **CALLS ON SHARES**

#### **Calls**

19. Subject to the terms of issue, the board may from time to time make calls upon the members in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium) and not payable on a date fixed by or in accordance with the terms of issue, and each member shall (subject to the company serving upon him at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares. A call may be revoked or postponed as the board may decide. A person upon whom a call is made shall remain liable for all calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made.

#### **Payment on calls**

20. A call may be made payable by instalments and shall be deemed to have been made at the time when the resolution of the board authorising the call was passed.

#### **Liability of joint holders**

21. The joint holders of a share shall be jointly and severally liable to pay all calls in respect of the share.

#### **Interest due on non-payment**

22. If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it is due and payable to the time of actual payment at such rate, not exceeding 15 per cent. per annum, as the board may decide, but the board shall be at liberty to waive payment of the interest wholly or in part.

### **Sums due on allotment treated as calls**

23. Any amount which becomes payable in respect of a share on allotment or on any other date fixed by or in accordance with the terms of issue, whether in respect of the nominal amount of the share or by way of premium or as an instalment of a call, shall be deemed to be a call and, if it is not paid, all the provisions of these articles shall apply as if the sum had become due and payable by virtue of a call.

### **Power to differentiate**

24. Subject to the terms of issue, the board may on the issue of shares differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.

### **Payment of calls in advance**

25. The board may, if it thinks fit, receive from any member who is willing to advance them all or any part of the moneys uncalled and unpaid upon any shares held by him and upon all or any of the moneys so advanced may (until they would, but for the advance, become presently payable) pay interest at such rate, not exceeding (unless the company by ordinary resolution shall otherwise direct) 15 per cent. per annum, as the board may decide.

## **FORFEITURE OF SHARES**

### **Notice if call or instalment not paid**

26. If any call or instalment of a call remains unpaid on any share after the day appointed for payment, the board may at any time serve a notice on the holder requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued.

### **Form of notice**

27. The notice shall name a further day (not being less than fourteen clear days from the date of the notice) on or before which, and the place where, the payment required by the notice is to be made and shall state that in the event of non-payment on or before the day and at the place appointed, the shares in respect of which the call was made or instalment is payable will be liable to be forfeited. The board may accept the surrender of any share liable to be forfeited and, in that event, references in these articles to forfeiture shall include surrender.

### **Forfeiture if non compliance with notice**

28. If the notice is not complied with, any share in respect of which it was given may, at any time before payment of all calls or instalments and interest due in respect of it has been made, be forfeited by a resolution of the board to that effect and the forfeiture shall include all dividends declared and other moneys payable in respect of the forfeited shares and not paid before the forfeiture.

### **Notice after forfeiture**

29. When any share has been forfeited, notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share but no forfeiture shall be invalidated by any omission or neglect to give the notice.

### **Sale of forfeited shares**

30. Until cancelled in accordance with the requirements of the Companies Acts, a forfeited share shall be deemed to be the property of the company and may be sold, re-allotted or otherwise disposed of either to the person who was, before forfeiture, the holder or to any other person upon such terms and in such manner as the board shall decide. The board may for the purposes of the disposal authorise some person to execute an instrument of transfer to the designated transferee. The company may receive the consideration (if any) given for the share on its disposal and if the share is in registered form may register the transferee as the holder of the share. At any time before a sale, re-allotment or disposition the forfeiture may be cancelled by the board on such terms as the board may decide.

### **Arrears to be paid notwithstanding forfeitures**

31. A person whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the forfeited shares but shall remain liable to pay to the company all moneys which at the date of the forfeiture were payable by him to the company in respect of those shares with interest thereon at the rate of 15 per cent. per annum (or such lower rate as the board may decide) from the date of forfeiture until payment, and the company may enforce payment without being under any obligation to make any allowance for the value of the shares forfeited or for any consideration received on their disposal.

### **Statutory declaration as to forfeiture**

32. A statutory declaration that the declarant is a director of the company or the secretary and that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share. The declaration shall (subject to the execution of an

instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal.

## TRANSFER OF SHARES

### Form of transfer

33. Subject to such of the restrictions of these articles as may be applicable, any member may transfer all or any of his shares by an instrument of transfer in any usual form or in any other form which the board may approve.

### Execution of transfer

34. The instrument of transfer of a share shall be executed by or on behalf of the transferor and (in the case of a partly paid share) the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect of it. All instruments of transfer, when registered, may be retained by the company.

### Right to decline registration of partly paid shares

35. The board may, in its absolute discretion and without giving any reason for so doing, decline to register any transfer of any share which is not a fully paid share and may also refuse to register any transfer of a share on which the company has a lien.

### Other rights to decline registration

36. Without prejudice to the provisions of article 75 the board may also decline to register any transfer unless:-
- (a) the instrument of transfer is lodged with the company accompanied by the certificate for the shares to which it relates and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer,
  - (b) the instrument of transfer is in respect of only one class of share, and
  - (c) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four.

### **Notice of refusal**

37. If the board declines to register a transfer of a share it shall, within two months after the date on which the instrument of transfer was lodged, send to the transferee notice of the refusal.

### **No fee for registration**

38. No fee shall be charged by the company for registering any transfer or other document relating to or affecting the title to any share or for making any other entry in the register.

### **Untraced shareholders**

39. The company may sell any shares in the company on behalf of the holder of, or person entitled by transmission to, the shares by instructing a member of the London Stock Exchange to sell them at best price if:-
- (a) the shares have been in issue throughout the qualifying period and at least three cash dividends have become payable on the shares during the qualifying period,
  - (b) no cash dividend payable on the shares has either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the holder of, or person entitled by transmission to, the shares at any time during the relevant period,
  - (c) so far as any director of the company at the end of the relevant period is then aware, the company has not at any time during the relevant period received any communication from the holder of, or person entitled by transmission to, the shares,
  - (d) the company has caused two advertisements to be published, one in a daily newspaper with a national circulation and the other in a newspaper circulating in the area of the address of the holder of, or person entitled by transmission to, the shares shown in the register, giving notice of its intention to sell the shares and a period of three months has elapsed from the date of publication of the advertisements or of the last of the two advertisements to be published if they are published on different dates, and
  - (e) the company has given notice to the Quotations Department of the London Stock Exchange of its intention to make the sale.

For the purpose of this article:



**“the qualifying period”** means the period of twelve years immediately preceding the date of publication of the advertisements referred to in sub-paragraph (d) above or of the first of the two advertisements to be published if they are published on different dates; and

**“the relevant period”** means the period beginning at the commencement of the qualifying period and ending on the date when all the requirements of sub-paragraphs (a) to (e) above have been satisfied.

If, after the publication of either or both of the advertisements referred to in sub-paragraph (d) above but before the company has become entitled to sell the shares pursuant to this paragraph of this article, the requirements of sub-paragraph (b) or (c) above cease to be satisfied, the company may nevertheless sell those shares after the requirements of sub-paragraphs (a) to (e) above have been satisfied afresh in relation to them.

If during any relevant period further shares have been issued in right of those held at the beginning of that relevant period or of any previously so issued during that relevant period and all the requirements of sub-paragraphs (b) to (e) above have been satisfied in regard to the further shares, the company may also sell the further shares.

To give effect to any sale of shares pursuant to this article the board may authorise some person to transfer the shares in question and an instrument of transfer executed by that person shall be as effective as if it had been executed by the holder of, or person entitled by transmission to, the shares. The purchaser shall not be bound to see to the application of the purchase moneys nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of sale shall belong to the company and, upon their receipt, the company shall become indebted to the former holder of, or person entitled by transmission to, the shares for an amount equal to the net proceeds. No trust shall be created in respect of the debt and no interest shall be payable in respect of it and the company shall not be required to account for any moneys earned from the net proceeds which may be employed in the business of the company or as it thinks fit.

## TRANSMISSION OF SHARES

### Transmission on death

40. If a member dies, the survivor or survivors, where he was a joint holder, and his personal representatives, where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his shares; but nothing contained in these articles shall release the estate of a deceased holder from any liability in respect of any share held by him solely or jointly with other persons.

### **Entry of transmission in register**

41. Where the entitlement of a person to a share in consequence of the death or bankruptcy of a member or of any other event giving rise to its transmission by operation of law is proved to the satisfaction of the board, the board shall within two months after proof cause the entitlement of that person to be noted in the register.

### **Election of person entitled by transmission**

42. Any person entitled by transmission to a share may, subject as provided elsewhere in these articles, elect either to become the holder of the share or to have some person nominated by him registered as the holder. If he elects to be registered himself he shall give notice to the company to that effect. If he elects to have another person registered, he shall execute an instrument of transfer of the share in favour of that person. All the provisions of these articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if the death or bankruptcy of the member or other event giving rise to the transmission had not occurred and the notice or instrument of transfer was an instrument of transfer executed by the member.

### **Rights of person entitled by transmission**

43. Where a person becomes entitled by transmission to a share, the rights of the holder in relation to that share shall cease, but the person entitled by transmission to the share may give a good discharge for any dividends or other moneys payable in respect of it and shall have the same rights in relation to the share as he would have had if he were the holder of it save that, until he becomes the holder, he shall not be entitled in respect of the share to attend or vote at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company. The board may at any time give notice requiring the person to elect either to be registered himself or to transfer the share and if the notice is not complied with within sixty days the board may withhold payment of all dividends and other moneys payable in respect of the share until the requirements of the notice have been complied with.

## **TRANSFER OF SECURITIES WITHOUT A WRITTEN INSTRUMENT**

### **Transfer of securities without a written instrument**

44. Notwithstanding any other provisions of these Articles title to any securities of the company may be evidenced and transferred without a written instrument in accordance with statutory regulations from time to time made under the Companies Acts and the board shall have power to implement any arrangements

it may think fit for such evidencing and transfer which accord with those regulations.

### ALTERATION OF SHARE CAPITAL

#### **Increase, consolidation, sub-division and cancellation**

45. The company may from time to time by ordinary resolution:-
- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution shall prescribe;
  - (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
  - (c) subject to the provisions of the Companies Acts, sub-divide its shares or any of them into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage or be subject to any restriction as compared with the others; and
  - (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

#### **Fractions**

46. Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the board may deal with the fractions as it thinks fit and in particular may sell the shares representing the fractions to any person (including, subject to the provisions of the Companies Acts, the company) and distribute the net proceeds of sale in due proportion among those members and the board may authorise some person to transfer or deliver the shares to, or in accordance with the directions of, the purchaser. The person to whom any shares are transferred or delivered shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity in, or invalidity of, the proceedings relating to the sale.

#### **Reduction of capital**

47. Subject to the provisions of the Companies Acts, the company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

## GENERAL MEETINGS

### Extraordinary general meetings

48. Any general meeting of the company other than an annual general meeting shall be called an extraordinary general meeting.

### Separate general meetings

49. The provisions of these articles relating to general meetings shall apply, with necessary modifications, to any separate general meeting of the holders of shares of a class held otherwise than in connection with the variation or abrogation of the rights attached to shares of the class. For this purpose, a general meeting at which no holder of a share other than an ordinary share may, in his capacity as a member, attend or vote shall also constitute a separate general meeting of the holders of the ordinary shares.

### Annual general meetings

50. The board shall convene and the company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Acts.

### Convening of extraordinary general meetings

51. The board may convene an extraordinary general meeting whenever it thinks fit.

## NOTICE OF GENERAL MEETINGS

### Length of notice

52. An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a director shall be convened by not less than twenty-one clear days' notice in writing. All other extraordinary general meetings shall be convened by not less than fourteen clear days' notice in writing. The notice shall specify the place, day and time of the meeting, and the general nature of the business to be transacted. Notice of every general meeting shall be given to all members other than any who, under the provisions of these articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the company, and also to the auditors or, if more than one, each of them. Any member present in person, represented by a duly authorised representative (in the case of a corporation) or present by proxy at any meeting of the company shall for all purposes be deemed to have received due notice of such meeting and, where required, of the purpose for which such meeting was convened.

Notwithstanding that a meeting of the company is convened by shorter notice than that specified in this article, it shall be deemed to have been properly convened if it is so agreed:-

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

#### **Omission or non-receipt of notice**

- 53. The accidental omission to give notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send an instrument of proxy to, or the non-receipt of either or both by, any person entitled to receive the notice shall not invalidate the proceedings at that meeting.

### **PROCEEDINGS AT GENERAL MEETINGS**

#### **Quorum**

- 54. No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman which shall not be treated as part of the business of the meeting. Save as otherwise provided by these articles, five members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

#### **Procedure if quorum not present**

- 55. If within five minutes (or such longer time not exceeding one hour as the chairman of the meeting may decide to wait) after the time appointed for the commencement of the meeting a quorum is not present, the meeting shall stand adjourned to such other day (not being less than ten nor more than twenty-eight days later) and at such other time or place as the chairman of the meeting may decide and at such adjourned meeting one member present in person or by proxy (whatever the number of shares held by him) shall be a quorum. The company shall give not less than seven clear days' notice in writing of any meeting adjourned through want of a quorum and the notice shall state that one member present in person or by proxy (whatever the number of shares held by him) shall be a quorum.

### **Security arrangements**

56. The board may direct that members or proxies wishing to attend any general meeting should submit to such searches or other security arrangements or restrictions as the board shall consider appropriate in the circumstances and shall be entitled in its absolute discretion to refuse entry to such general meeting to any member or proxy who fails to submit to such searches or to otherwise comply with such security arrangements or restrictions.

### **Chairman of general meeting**

57. The chairman (if any) of the board or, in his absence, the deputy chairman (if any) shall preside as chairman at every general meeting. If there is no chairman or deputy chairman, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for the commencement of the meeting, or if neither the chairman nor any deputy chairman is willing to act as chairman, the directors present shall choose one of their number to act, or if one director only is present he shall preside as chairman if willing to act. If no director is present, or if each of the directors present declines to take the chair, the persons present and entitled to vote shall appoint one of their number to be chairman.

### **Orderly conduct**

58. The chairman shall take such action as he thinks fit to promote the orderly conduct of the business of the meeting as laid down in the notice of the meeting and the chairman's decision on matters of procedure or arising incidentally from the business of the meeting shall be final as shall be his determination as to whether any matter is of such a nature.

### **Directors' right to attend and speak**

59. Each director shall be entitled to attend and speak at any general meeting of the company and at any separate general meeting of the holders of any class of shares in the company. The chairman may invite any person to attend and speak at any general meeting of the company whom the chairman considers to be equipped by knowledge or experience of the company's business to assist in the deliberations of the meeting.

### **Adjournments**

60. The chairman may at any time without the consent of the meeting adjourn any meeting (whether or not it has commenced or a quorum is present) either sine die or to another time or place where it appears to him that (a) the members wishing to attend cannot be conveniently accommodated in the place appointed for the meeting (b) the conduct of persons present prevents or is likely to

prevent the orderly continuation of business or (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted. In addition, the chairman may at any time with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting either sine die or to another time or place. When a meeting is adjourned sine die the time and place for the adjourned meeting shall be fixed by the board. No business shall be transacted at any adjourned meeting except business which might properly have been transacted at the meeting had the adjournment not taken place.

### **Notice of adjournment**

61. When a meeting is adjourned for three months or more, or sine die, notice of the adjourned meeting shall be given as in the case of an original meeting. Except where these articles otherwise require, it shall not be necessary to give any notice of an adjourned meeting or of the business to be transacted at an adjourned meeting.

## **AMENDMENTS**

### **Amendments to resolutions**

62. In the case of a resolution duly proposed as a special or extraordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon and in the case of a resolution duly proposed as an ordinary resolution no amendment thereto (other than an amendment to correct a patent error) may be considered or voted upon unless either at least forty-eight hours prior to the time appointed for holding the meeting or adjourned meeting at which such ordinary resolution is to be proposed notice in writing of the terms of the amendment and intention to move the same has been lodged at the office or the chairman in his absolute discretion decides that it may be considered or voted upon.

### **Amendments ruled out of order**

63. If an amendment shall be proposed to any resolution under consideration but shall be ruled out of order by the chairman of the meeting the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.

## **VOTING**

### **Votes of members**

64. Subject to any special terms as to voting upon which any shares may be issued or may for the time being be held and to any other provisions of these articles, on a show of hands every member who (being an individual) is present in

person or (being a corporation) is present by a duly authorised representative, not being himself a member, entitled to vote at a general meeting of the company, shall have one vote, and on a poll every member who is present in person or by proxy or being a corporation as aforesaid shall have one vote for every 25p nominal amount of share capital of which he is the holder.

#### **Method of voting**

65. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is properly demanded. Subject to the Companies Acts, a poll may be demanded by:-

- (a) the chairman of the meeting, or
- (b) at least three members present in person or by proxy and entitled to vote, or
- (c) any member or members present in person or by proxy and representing in the aggregate not less than one-tenth of the total voting rights of all the members having the right to attend and vote at the meeting, or
- (d) any member or members present in person or by proxy and holding shares conferring a right to attend and vote at the meeting on which there have been paid up sums in the aggregate equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Unless a poll is so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has been carried or carried unanimously or by a particular majority or not carried by a particular majority or lost shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded for or against the resolution.

#### **Procedure if poll demanded**

66. If a poll is properly demanded it shall be taken in such manner as the chairman shall direct and he may appoint scrutineers who need not be members. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

#### **When poll to be taken**

67. A poll demanded on the election of a chairman, or on a question of adjournment, shall be taken forthwith. A poll demanded on any other question shall be taken either forthwith or on such date (being not later than thirty days



after the date of the demand) and at such time and place as the chairman shall direct. It shall not be necessary (unless the chairman otherwise directs) for notice to be given of a poll.

#### **Continuance of other business after poll demand**

68. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded, and it may be withdrawn with the consent of the chairman at any time before the close of the meeting or the taking of the poll, whichever is the earlier, and in that event shall not invalidate the result of a show of hands declared before the demand was made.

#### **Votes on a poll**

69. On a poll votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion.

#### **Casting vote of chairman**

70. In the case of an equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to an additional or casting vote.

#### **Votes of joint holders**

71. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.

#### **Voting on behalf of incapable member**

72. A member in respect of whom an order has been made by any competent court or official on the ground that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote, whether on a show of hands or on a poll, by any person authorised in such circumstances to do so on his behalf and that person may vote on a poll by proxy, provided that evidence to the satisfaction of the board of the authority of the person claiming to exercise the right to vote has been delivered at the office (or at such other place as may be specified in accordance with these articles for the delivery of instruments appointing a proxy) not later than the last time at which an instrument of proxy should have been delivered in order to be valid for use at that meeting or on the holding of that poll.

### **No right to vote where sums overdue on shares**

73. No member shall, unless the board otherwise decides, be entitled to vote at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company unless all calls or other sums presently payable by him in respect of shares in the company have been paid.

### **Objections or errors in voting**

74. If:-

- (a) any objection shall be raised to the qualification of any voter, or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected, or
- (c) any votes are not counted which ought to have been counted,

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless it is raised or pointed out at the meeting or, as the case may be, the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be conclusive.

### **Suspension of rights where non-disclosure of interest**

75. (i) Where the holder of any shares in the company, or any other person appearing to be interested in those shares, fails to comply within the relevant period with any statutory notice in respect of those shares, the company may give the holder of those shares a further notice (a "restriction notice") to the effect that from the service of the restriction notice those shares will be subject to some or all of the relevant restrictions, and from service of the restriction notice those shares shall, notwithstanding any other provisions of these articles, be subject to those relevant restrictions accordingly.
- (ii) If after the service of a restriction notice in respect of any shares the board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the company shall, within not more than 7 days, cancel the restriction notice. The company may at any time at its discretion cancel or suspend any restriction notice or exclude any

shares from it. A restriction notice shall automatically cease to have effect in respect of any shares transferred where the transfer has been shown to the company to be pursuant to an arm's length sale of those shares.

- (iii) Where any restriction notice is cancelled or ceases to have effect, any moneys withheld by reason of that notice shall be paid without interest to the person who would but for the notice have been entitled to them or as he may direct.
- (iv) Any new shares in the company issued in right of any shares subject to a restriction notice shall also be subject to the restriction notice, and the board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.
- (v) Any holder of shares on whom a restriction notice has been served may at any time request the company to give in writing the reason why the restriction notice has been served, or why it remains uncanceled, and within 14 days of receipt of such a notice the company shall give that information accordingly.
- (vi) This article is in addition to, and shall not in any way prejudice or affect, the statutory rights of the company arising from any failure by any person to give any information required by a statutory notice within the time specified in it. For the purpose of this article a statutory notice need not specify the relevant period, and may require any information to be given before the expiry of the relevant period.
- (vii) In this article:

"arm's length sale" means a sale of the entire interest in the shares the subject of the sale on a recognised stock exchange or a stock exchange on which shares in the company of that description are normally traded, or a sale of such an entire interest otherwise than on such a stock exchange to a person who had no interest in those shares at the time the relevant statutory notice was served and who is not an associate (within the definition of that expression in any statute relating to insolvency in force at the date of adoption of this article) of a person who had such an interest and who is not acting in concert (within the definition of that expression in any code on take-overs and mergers generally applicable in the United Kingdom at the date of adoption of this article) with a person who had such an interest;

"person appearing to be interested" in any shares shall mean any person named in a response to a statutory notice as being so interested or

shown in any register kept by the company under the Companies Acts as so interested or, taking into account a response or failure to respond in the light of the response to any other statutory notice and any other relevant information, any person whom the company has reasonable cause to believe is so interested;

“person with a 0.25 per cent. interest” means a person who holds, or is shown in any register kept by the company under the Companies Acts as having an interest in, shares in the company which comprise in total at least 0.25 per cent. in number or nominal value of the shares of the company, or of any class of such shares, in issue at the date of service of the statutory notice or the restriction notice (as the case may be);

“relevant period” means, in the case of a statutory notice served on a person with a 0.25 per cent. interest, 14 days and in any other case, 28 days;

“relevant restrictions” means in the case of a restriction notice served on a person with a 0.25 per cent. interest that

- (a) the shares shall not confer on the holder any right to attend or vote at any general meeting of the company or at any separate general meeting of the holders of any class of shares in the company;
- (b) the board may withhold payment of all or any part of any dividends or other moneys payable in respect of the shares; and
- (c) the board may decline to register a transfer of the shares or any of them unless such a transfer is shown to the board to be pursuant to an arm's length sale

and in any other case means only the restriction specified in subparagraph (a) of this definition;

“statutory notice” means a notice served by the company under the Companies Acts requiring particulars of interests in shares or of the identity of persons interested in shares.

## PROXIES

### Execution of proxies

76. An instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign it.

### Delivery of proxies

77. The instrument appointing a proxy and (if required by the board) any authority under which it is executed or a copy of the authority, certified notarially or in some other manner approved by the board, may be delivered to the office (or to such other place in the United Kingdom as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any accompanying document) not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than twenty-four hours before the time appointed for the taking of the poll and an instrument of proxy which is not so delivered shall be invalid. Delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned.

### Maximum validity of proxy

78. No instrument appointing a proxy shall be valid after twelve months have elapsed from the date named in it as the date of its execution.

### Form of proxy

79. Instruments of proxy shall be in any usual form or in such other form as the board may approve and the board may, if it thinks fit, but subject to the provisions of the Companies Acts, send out with the notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to demand or join in demanding a poll and to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

### Cancellation of proxy's authority

80. A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous

determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company at the office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

## APPOINTMENT, RETIREMENT AND REMOVAL OF DIRECTORS

### **Number of directors**

81. Unless otherwise determined by ordinary resolution of the company, the directors (disregarding alternate directors) shall be not less than three nor more than twenty in number.

### **Age of directors**

82. No person shall be disqualified from being appointed a director, and no director shall be required to vacate that office, by reason only of the fact that he has attained the age of seventy years or any other age nor shall it be necessary by reason of his age to give special notice under the Companies Acts of any resolution. Where the board convenes any general meeting of the company at which (to the knowledge of the board) a director will be proposed for appointment or reappointment who at the date for which the meeting is convened will have attained the age of seventy years or more, the board shall give notice of his age in years in the notice convening the meeting or in any document accompanying the notice, but the accidental omission to do so shall not invalidate any proceedings, or any appointment or reappointment of that director, at that meeting.

### **Directors' shareholding qualification**

83. No shareholding qualification for directors shall be required.

### **Power of company to appoint directors**

84. Subject to the provisions of these articles, the company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles.

**Power of board to appoint directors**

85. Without prejudice to the power of the company in general meeting pursuant to any of the provisions of these articles to appoint any person to be a director, the board may appoint any person who is willing to act to be a director, either to fill a vacancy or as an addition to the existing board, but so that the total number of directors shall not at any time exceed any maximum number fixed by or in accordance with these articles. Any director so appointed shall hold office only until the next following annual general meeting but shall not be taken into account in determining the directors or the number of directors who are to retire by rotation at that meeting.

**Number to retire by rotation**

86. At every annual general meeting, a minimum of one-third of the directors shall retire from office, save that if their number is not three or any multiple of three, then the minimum number required to retire shall be the number nearest to and less than one-third. If there are fewer than three directors they shall all retire.

**Identity of directors to retire**

87. The directors to retire by rotation on each occasion shall be those of the directors who held office at the time of the two preceding annual general meetings and who did not retire by rotation at either of them. If the number of directors so retiring is less than the minimum number required by these articles to retire by rotation, additional directors up to that number shall also retire. The additional directors to retire shall be those of the directors subject to retirement by rotation who have been longest in office since their last appointment or reappointment; but, as between persons who became or were last reappointed directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. In addition, a director who would not otherwise be required to retire shall retire if he is 70 or over at the date of the meeting. The directors to retire on each occasion (both as to number and identity) shall be determined by the composition of the board at start of business on the date of the notice convening the annual general meeting and no director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the directors after that time on the date of the notice but before the close of the meeting.

**Filling rotation vacancies**

88. Subject to the provisions of these articles, the company at the meeting at which a director retires by rotation may fill the vacated office and in default the retiring director shall, if willing to continue to act, be deemed to have been reappointed, unless at such meeting it is expressly resolved not to fill the vacated office or unless a resolution for the reappointment of that director has been put to the meeting and lost.

### **The board's power to remove directors**

89. Without prejudice to any of the provisions for disqualification of directors or for retirement by rotation contained in these articles, the office of a director shall be vacated if, by notice in writing delivered to the office or tendered at a meeting of the board, his resignation is requested by all of the other directors and all of the other directors are not less than three in number.

### **Power of removal by special resolution**

90. In addition to any power of removal conferred by the Companies Acts, the company may by special resolution remove any director before the expiration of his period of office and may (subject to these articles) by ordinary resolution appoint another person who is willing to act to be a director in his place. Any person so appointed shall be treated, for the purpose of determining the time at which he or any other director is to retire, as if he had become a director on the day on which the person in whose place he is appointed was last appointed or reappointed a director.

### **Persons eligible as directors**

91. No person other than a director retiring at the meeting (whether by rotation or otherwise) shall be appointed or reappointed a director at any general meeting unless:-
- (a) he is recommended by the board, or
  - (b) not less than six nor more than thirty five clear days before the day appointed for the meeting, notice executed by a member qualified to vote at the meeting (not being the person to be proposed) has been given to the secretary of the intention to propose that person for appointment or reappointment together with notice executed by that person of his willingness to be appointed or reappointed.

### **Position of retiring directors**

92. A director who retires (whether by rotation or otherwise) at an annual general meeting may, if willing to continue to act, be reappointed. If he is not reappointed or deemed to be reappointed, he shall retain office until the meeting appoints someone in his place or, if it does not do so, until the end of the meeting.

### **Vacation of office by directors**

93. Without prejudice to the provisions for retirement by rotation or otherwise contained in these articles, the office of a director shall be vacated if:-



- (a) he resigns his office by notice in writing delivered to the office or tendered at a meeting of the board, or
- (b) he is or has been suffering from mental ill health or becomes a patient for any purpose of any statute relating to mental health and the board resolves that his office is vacated, or
- (c) he is absent without the permission of the board from meetings of the board (whether or not an alternate director appointed by him attends) for twelve consecutive months and the board resolves that his office is vacated, or
- (d) he becomes bankrupt or compounds with his creditors generally, or
- (e) he is prohibited by law from being a director, or
- (f) he ceases to be a director by virtue of the Companies Acts or is removed from office pursuant to these articles.

#### **Alternate directors**

94. (A) Each director may appoint any person to be his alternate and may at his discretion remove an alternate director so appointed. If the alternate director is not already a director, the appointment, unless previously approved by the board, shall have effect only upon and subject to its being so approved. Any appointment or removal of an alternate director shall be effected by notice in writing executed by the appointor and delivered to the office or tendered at a meeting of the board, or in any other manner approved by the board. If his appointor so requests, an alternate director shall be entitled to receive notice of all meetings of the board or of committees of the board of which his appointor is a member. He shall also be entitled to attend and vote as a director at any such meeting at which the director appointing him is not personally present and at the meeting to exercise and discharge all the functions, powers and duties of his appointor as a director and for the purposes of the proceedings at the meeting the provisions of these articles shall apply as if he were a director.
- (B) Every person acting as an alternate director shall (except as regards power to appoint an alternate and remuneration) be subject in all respects to the provisions of these articles relating to directors and shall alone be responsible to the company for his acts and defaults and shall not be deemed to be the agent of or for the director appointing him. An alternate director may be paid expenses and shall be entitled to be indemnified by the company to the same extent as if he were a director

but shall not be entitled to receive from the company any fee in his capacity as an alternate director.

- (C) Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate, in addition to his own vote if he is also a director. Execution by an alternate director of any resolution in writing of the board or a committee of the board shall, unless the notice of his appointment provides to the contrary, be as effective as execution by his appointor.
- (D) An alternate director shall automatically cease to be an alternate director if his appointor ceases for any reason to be a director except that, if at any meeting any director retires by rotation or otherwise but is reappointed or deemed to be reappointed at the same meeting, any appointment made by him pursuant to this article which was in force immediately before his retirement shall remain in force as though he had not retired.

#### **Executive directors**

- 95. The board or any committee authorised by the board may from time to time appoint one or more directors to hold any employment or executive office with the company (including that of a managing director) for such period (subject to the provisions of the Companies Acts) and upon such other terms as the board or any committee authorised by the board may in its discretion decide and may revoke or terminate any appointment so made. Any revocation or termination of the appointment shall be without prejudice to any claim for damages that the director may have against the company or the company may have against the director for any breach of any contract of service between him and the company which may be involved in the revocation or termination. A director so appointed shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide, and either in addition to or in lieu of his remuneration as a director.

#### **ADDITIONAL REMUNERATION EXPENSES AND PENSIONS**

#### **Directors' fees**

- 96. Each of the directors shall be paid a fee at such rate as may from time to time be determined by the board provided that the aggregate of all fees so paid to directors (excluding amounts payable under any other provision of these articles) shall not exceed £250,000 per annum or such higher amount as may from time to time be decided by ordinary resolution of the company.

### **Additional remuneration**

97. Any director who goes or resides abroad for any purposes of the company or who performs services which in the opinion of the board or any committee authorised by the board go beyond the ordinary duties of a director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may in its discretion decide in addition to any remuneration provided for by or pursuant to any other article.

### **Expenses**

98. Each director may be paid his reasonable travelling, hotel and incidental expenses of attending and returning from meetings of the board or committees of the board or general meetings of the company or any other meeting which as a director he is entitled to attend and shall be paid all other costs and expenses properly and reasonably incurred by him in the conduct of the company's business or in the discharge of his duties as a director.

### **Pensions and gratuities for directors**

99. The board or any committee authorised by the board may exercise all the powers of the company to provide benefits, either by the payment of gratuities or pensions or by insurance or in any other manner whether similar to the foregoing or not, for any director or former director or the relations, connections or dependants of any director or former director provided that no benefits (except such as may be provided for by any other article) may be granted to or in respect of a director or former director who has not been employed by, or held an executive or other office or place of profit under, the company or any body corporate which is or has been its subsidiary or any predecessor in business of the company or any such body corporate without the approval of an ordinary resolution of the company. No director or former director shall be accountable to the company or the members for any benefit provided pursuant to this article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the company.

## **DIRECTORS' INTERESTS**

### **Permitted interests and voting**

100. (A) Subject to the provisions of the Companies Acts and of paragraph (J) of this article, no director or proposed or intending director shall be disqualified by his office from contracting with the company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatever, nor shall any contract in which any director is in any way interested be liable to be avoided, nor

shall any director who is so interested be liable to account to the company or the members for any remuneration, profit or other benefit realised by the contract by reason of the director holding that office or of the fiduciary relationship thereby established.

- (B) A director may hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period (subject to the provisions of the Companies Acts) and upon such other terms as the board may decide, and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the board or any committee authorised by the board may decide, and either in addition to or in lieu of any remuneration provided for by or pursuant to any other article.
- (C) A director of the company may be or become a director or other officer of, or otherwise interested in, any company promoted by the company or in which the company may be interested or as regards which it has any power of appointment, and shall not be liable to account to the company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in the other company. The board may also cause any voting power conferred by the shares in any other company held or owned by the company or any power of appointment to be exercised in such manner in all respects as it thinks fit, including the exercise of the voting power or power of appointment in favour of the appointment of the directors or any of them as directors or officers of the other company, or in favour of the payment of remuneration to the directors or officers of the other company.
- (D) A director may act by himself or his firm in a professional capacity for the company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director.
- (E) A director shall not vote on or be counted in the quorum in relation to any resolution of the board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, as the holder of any office or place of profit with the company or any other company in which the company is interested but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment, of two or more directors to offices or places of profit with the company or any other company in which the company is interested, a separate resolution may be put in relation to each director and in that case each of the directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution unless it concerns his own appointment or the settlement or variation of the terms or the

termination of his own appointment or the appointment of another director to an office or place of profit with a company in which the company is interested and the director seeking to vote or be counted in the quorum owns one per cent. or more of it.

(F) Save as otherwise provided by these articles, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board in respect of any contract in which he is to his knowledge materially interested and, if he shall do so, his vote shall not be counted, but this prohibition shall not apply to any resolution where that material interest arises only from one or more of the following matters:-

- (i) the giving to him of any guarantee, indemnity or security in respect of money lent or obligations undertaken by him for the benefit of the company or any of its subsidiaries,
- (ii) the giving to a third party of any guarantee, indemnity or security in respect of a debt or obligation of the company or any of its subsidiaries for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security,
- (iii) the subscription or purchase by him of shares, debentures or other securities of the company pursuant to an offer or invitation to members or debenture holders of the company, or any class of them, or to the public or any section of the public,
- (iv) the underwriting by him of any shares, debentures or other securities of the company or any of its subsidiaries,
- (v) any contract in which he is interested by virtue of his interest in shares or debentures or other securities of the company or by reason of any other interest in or through the company,
- (vi) any contract concerning any other company (not being a company in which the director owns one per cent. or more) in which he is interested directly or indirectly whether as an officer, shareholder, creditor or otherwise howsoever,
- (vii) any contract concerning the adoption, modification or operation of a pension fund or retirement death or disability benefits scheme which relates both to directors and employees of the company or of any of its subsidiaries and does not provide in respect of any director as such any privilege or advantage not accorded to the employees to which the fund or scheme relates,

- (viii) any contract for the benefit of employees of the company or of any of its subsidiaries under which he benefits in a similar manner to the employees and which does not accord to any director as such any privilege or advantage not accorded to the employees to whom the contract relates, and
  - (ix) any contract for the purchase or maintenance for any director or directors of insurance against any liability.
- (G) A company shall be deemed to be one in which a director owns one per cent. or more if and so long as (but only if and so long as) he is (either directly or indirectly) the holder of or beneficially interested in one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company. For the purpose of this paragraph of this article there shall be disregarded any shares held by the director as bare or custodian trustee and in which he has no beneficial interest, any shares comprised in a trust in which his interest is in reversion or remainder if and so long as some other person is entitled to receive the income of the trust and any shares comprised in an authorised unit trust scheme in which he is interested only as a unit holder.
- (H) Where a company in which a director owns one per cent. or more is materially interested in a contract, he also shall be deemed materially interested in that contract.
- (I) If any question shall arise at any meeting of the board as to the materiality of the interest of a director (other than the chairman of the meeting) or as to the entitlement of any director (other than the chairman of the meeting) to vote or be counted in the quorum and the question is not resolved by his voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be referred to the chairman of the meeting and his ruling in relation to the director concerned shall be conclusive except in a case where the nature or extent of his interest (so far as it is known to him) has not been fairly disclosed to the board. If any question shall arise in respect of the chairman of the meeting, the question shall be decided by a resolution of the board (for which purpose the chairman shall be counted in the quorum but shall not vote on the matter) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the chairman (so far as it is known to him) has not been fairly disclosed to the board.
- (J) A director who to his knowledge is in any way, whether directly or indirectly, interested in a contract with the company shall declare the nature of his interest at the meeting of the board at which the question

of entering into the contract is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the board after he knows that he is or has become so interested. For the purposes of this article, a general notice to the board by a director to the effect that (a) he is a member of a specified company or firm and is to be regarded as interested in any contract which may after the date of the notice be made with that company or firm or (b) he is to be regarded as interested in any contract which may after the date of the notice be made with a specified person who is connected with him, shall be deemed to be a sufficient declaration of interest under this article in relation to any such contract; provided that no such notice shall be effective unless either it is given at a meeting of the board or the director takes reasonable steps to secure that it is brought up and read at the next board meeting after it is given.

- (K) References in this article to a contract include references to any proposed contract and to any transaction or arrangement whether or not constituting a contract.
- (L) Subject to the provisions of the Companies Acts, the company may by ordinary resolution suspend or relax the provisions of this article to any extent or ratify any contract not properly authorised by reason of a contravention of this article.

## POWERS AND DUTIES OF THE BOARD

### General powers of company vested in board

- 101. Subject to the provisions of the Companies Acts, the memorandum of association of the company and these articles and to any directions given by the company in general meeting by special resolution, the business of the company shall be managed by the board which may exercise all the powers of the company whether relating to the management of the business of the company or not. No alteration of the memorandum of association or these articles and no special resolution shall invalidate any prior act of the board which would have been valid if that alteration had not been made or that resolution had not been passed. The powers given by this article shall not be limited by any special power given to the board by any other article.

### Borrowing powers

- 102. The board may exercise all the powers of the company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the company or of any third party.

The board shall restrict the borrowings of the company and exercise all voting and other rights or powers of control exercisable by the company in relation to its subsidiary undertakings (if any) so as to secure (but as regards subsidiary undertakings only in so far as by the exercise of the rights or powers of control the board can secure) that the aggregate principal amount from time to time outstanding of all borrowings by the group (exclusive of borrowings owing by one member of the group to another member of the group) shall not at any time without the previous sanction of an ordinary resolution of the company exceed an amount equal to two times the adjusted capital and reserves.

For the purposes of this paragraph of this article:-

- (i) "the adjusted capital and reserves" means the aggregate from time to time of:-
  - (a) the amount paid up on the issued share capital of the company and
  - (b) the amount standing to the credit of the reserves including any share premium account, capital redemption reserve and credit balance on profit and loss account

all as shown by the then latest audited balance sheet but after

  - (c) deducting from the aggregate any debit balance on profit and loss account subsisting at the date of that audited balance sheet except to the extent that a deduction has already been made on that account and
  - (d) making such adjustments as may be appropriate to reflect any variation in the amount of the paid up share capital, share premium account or capital redemption reserve since the date of the audited balance sheet;
- (ii) "borrowings" include not only borrowings but also the following except in so far as otherwise taken into account:-
  - (a) the nominal amount of any issued share capital and the principal amount of any debentures or borrowed moneys, the beneficial interest in which is not for the time being owned by a member of the group, of any person and the payment or repayment of which is the subject of a guarantee or indemnity by a member of the group,



- (b) the outstanding amount raised by acceptances by any bank or accepting house under any acceptance credit opened on behalf of and in favour of any member of the group,
- (c) the principal amount of any debenture (whether secured or unsecured) of a member of the group owned otherwise than by a member of the group,
- (d) the principal amount of any preference share capital of any subsidiary undertaking owned otherwise than by a member of the group, and
- (e) any fixed or minimum premium payable on final repayment of any borrowing or deemed borrowing;

but do not include:-

- (f) borrowings incurred by any member of the group for the purpose of repaying within six months of the borrowing the whole or any part of any borrowings of that or any other member of the group for the time being outstanding, pending their application for that purpose within that period, or
  - (g) borrowings incurred by any member of the group for the purpose of financing any contract in respect of which any part of the price receivable under the contract by that or any other member of the group is guaranteed or insured by the Export Credits Guarantee Department or by any other governmental department or agency fulfilling a similar function, up to an amount equal to that part of the price receivable under the contract which is so guaranteed or insured;
  - (h) borrowings of an undertaking which became a subsidiary undertaking of the company after the date as at which the last audited balance sheet was prepared, to the extent the amount of those borrowings does not exceed their amount immediately after it became such a subsidiary undertaking;
- (iii) when the aggregate principal amount of borrowings required to be taken into account on any particular date is being ascertained, any particular borrowing then outstanding which is denominated or repayable in a currency other than sterling shall be notionally converted into sterling at the rate of exchange prevailing in London on the last business day before that date or, if it would result in a lower figure, at the rate of exchange prevailing in London on the last business day six months before that date and so that for these purposes the rate of exchange shall be taken as the

spot rate in London recommended by a London clearing bank, selected by the board, as being the most appropriate rate for the purchase by the company of the currency in question for sterling on the day in question;

- (iv) where under the terms of any borrowing the amount of money that would be required to discharge the principal amount of the borrowing in full if it fell to be repaid by reason of an event of default on the date as at which the calculation is being made is less than the amount that would otherwise be taken into account in respect of that borrowing, the amount of that borrowing to be taken into account shall be the smaller amount;
- (v) "audited balance sheet" means the audited balance sheet of the company prepared for the purposes of the Companies Acts for a financial year unless an audited consolidated balance sheet dealing with the state of affairs of the company and its subsidiary undertakings required to be dealt with in group accounts has been prepared for those purposes for the same financial year, in which case it means that audited consolidated balance sheet, and in that case all references to reserves and profit and loss account shall be deemed to be references to consolidated reserves and consolidated profit and loss account respectively and any amounts attributable to outside interests in subsidiary undertakings shall be excluded;
- (vi) the company may from time to time change the accounting convention on which the audited balance sheet is based provided that any new convention adopted complies with the requirements of the Companies Acts: if the company should prepare its main audited balance sheet on the basis of one convention, but a supplementary audited balance sheet on the basis of another, the main audited balance sheet shall be taken as the audited balance sheet;
- (vii) "the group" means the company and its subsidiary undertakings (if any);
- (viii) a certificate or report by the auditors as to the amount of the adjusted capital and reserves or the amount of any borrowings or to the effect that the limit imposed by this paragraph of this article has not been or will not be exceeded at any particular time or times shall be conclusive evidence of that amount or of that fact; and
- (ix) a subsidiary undertaking (except in this sub-paragraph means a subsidiary (and likewise in the plural) until an audited consolidated balance sheet dealing with the state of affairs of the company and its subsidiary undertakings required to be dealt with in group accounts has been prepared for the purposes of the Companies Acts, when it shall

mean a subsidiary undertaking with the meaning given to that expression by the Companies Acts then in force.

### **Agents**

103. The board may, by power of attorney or otherwise, appoint any person to be the agent of the company upon such terms (including terms as to remuneration) as it may decide and may delegate to any person so appointed any of its powers, authorities and discretions (with power to sub-delegate). The board may remove any person appointed under this article and may revoke or vary the delegation but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

### **Delegation to individual directors**

104. The board may entrust to and confer upon any director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, authorities and discretions and may from time to time revoke or vary all or any of them but no person dealing in good faith and without notice of the revocation or variation shall be affected by it. The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

### **Official seals**

105. The company may exercise all the powers conferred by the Companies Acts with regard to having official seals, and those powers shall be vested in the board.

### **Registers**

106. Subject to the provisions of the Companies Acts, the company may keep an overseas or local or other register in any place, and the board may make and vary such regulations as it may think fit respecting the keeping of the register.

### **Provision for employees**

107. The board may exercise any power conferred by the Companies Acts to make provision for the benefit of persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer to any person of the whole or part of the undertaking of the company or that subsidiary.

## **PROCEEDINGS OF THE BOARD**

### **Board meetings**

108. The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. A director at any time may, and the secretary on the requisition of a director at any time shall, summon a board meeting.

### **Notice of board meetings**

109. Notice of a board meeting shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose. A director absent or intending to be absent from the United Kingdom may request the board that notices of board meetings shall during his absence be sent in writing to him at an address given by him to the company for this purpose, but such notices need not be given any earlier than notices given to directors not so absent and if no request is made to the board it shall not be necessary to give notice of a board meeting to any director who is for the time being absent from the United Kingdom. A director may waive notice of any meeting either prospectively or retrospectively.

### **Quorum**

110. The quorum necessary for the transaction of the business of the board may be fixed by the board and, unless so fixed at any other number, shall be three. Subject to the provisions of these articles, any director who ceases to be a director at a board meeting may continue to be present and to act as a director and be counted in the quorum until the termination of the board meeting if no other director objects and if otherwise a quorum of directors would not be present.

### **Directors below minimum through vacancies**

111. The continuing directors or a sole continuing director may act notwithstanding any vacancy in their number but, if and so long as the number of directors is reduced below the minimum number fixed by or in accordance with these

articles or is below the number fixed by or in accordance with these articles as the quorum or there is only one continuing director, the continuing directors or director may act for the purpose of filling vacancies or of summoning general meetings of the company but not for any other purpose.

#### **Appointment of chairman**

112. The board may appoint a director to be the chairman or the deputy chairman of the board, and may at any time remove him from that office. Unless he is unwilling to do so, the chairman or failing him the deputy chairman shall act as chairman at every meeting of the board. But if no chairman or deputy chairman is appointed, or if at any meeting neither the chairman nor any deputy chairman is present within five minutes after the time appointed for holding the meeting and willing to act, the directors present may choose one of their number to be chairman of the meeting.

#### **Competence of meetings**

113. A meeting of the board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the board.

#### **Voting**

114. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes the chairman of the meeting shall have a second or casting vote.

#### **Delegation to committees**

115. (A) The board may delegate any of its powers, authorities and discretions (with power to sub-delegate) to any committee, consisting of such person or persons (whether a member or members of its body or not) as it thinks fit. Any committee so formed may exercise its power to sub-delegate by sub-delegating to any person or persons (whether or not a member or members of the board or of the committee).
- (B) Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the board. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these articles for regulating the meetings and proceedings of the board so far as the same are applicable and are not superseded by any regulations imposed by the board.

- (C) The power to delegate contained in this article shall be effective in relation to the powers, authorities and discretions of the board generally and shall not be limited by the fact that in certain articles, but not in others, express reference is made to particular powers, authorities or discretions being exercised by the board or by a committee authorised by the board.

#### **Participation in meetings by telephone**

116. All or any of the members of the board or any committee of the board may participate in a meeting of the board or that committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting then is.

#### **Resolution in writing**

117. A resolution in writing executed by all the directors for the time being entitled to receive notice of a meeting of the board (if that number is sufficient to constitute a quorum) or by all the members of a committee for the time being shall be as valid and effectual as a resolution passed at a meeting of the board or, as the case may be, of the committee properly called and constituted. The resolution may be contained in one document or in several documents in like form each executed by one or more of the directors or members of the committee concerned.

#### **Validity of acts of board or committee**

118. All acts done by the board or by any committee or by any person acting as a director or member of a committee shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the board or committee or person so acting or that they or any of them were disqualified or had vacated office, be as valid as if each such member or person had been properly appointed and was qualified and had continued to be a director or member of the committee.

## SECRETARY

### Appointment and removal of the company secretary

119. Subject to the provisions of the Companies Acts, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

## SEALS

### Use of seals

120. The board shall provide for the custody of every seal of the company. A seal shall only be used by the authority of the board or of a committee of the board authorised by the board in that behalf. Subject as otherwise provided in these articles, any instrument to which the common seal is applied shall be signed by at least one director and the secretary or by at least two directors, and any instrument to which an official seal is applied need not, unless the board for the time being otherwise decides or the law otherwise requires, be signed by any person.

## DIVIDENDS AND OTHER PAYMENTS

### Declaration of dividends by company

121. Subject to the provisions of the Companies Acts, the company may by ordinary resolution from time to time declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the board.

### Payment of interim and fixed dividends by board

122. Subject to the provisions of the Companies Acts, the board may pay such interim dividends as appear to the board to be justified by the financial position of the company and may also pay any dividend payable at a fixed rate at intervals settled by the board whenever the financial position of the company, in the opinion of the board, justifies its payment. If the board acts in good faith, it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer in consequence of the payment of an interim dividend on any shares having non-preferred or deferred rights.

### Calculation and currency of dividends

123. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:-

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this article as paid up on the share,
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, and
- (c) dividends may be declared or paid in any currency.

The board may agree with any member that dividends which may at any time or from time to time be declared or become due on his shares in one currency shall be paid or satisfied in another, and may agree the basis of conversion to be applied and how and when the amount to be paid in the other currency shall be calculated and paid and for the company or any other person to bear any costs involved.

#### **Amounts due on shares may be deducted from dividends**

124. The board may deduct from any dividend or other moneys payable to a member by the company on or in respect of any shares all sums of money (if any) presently payable by him to the company on account of calls or otherwise in respect of shares of the company.

#### **No interest on dividends**

125. No dividend or other moneys payable by the company on or in respect of any share shall bear interest against the company.

#### **Payment procedure**

126. Any dividend or other sum payable by the company in respect of a share may be paid by cheque or warrant sent by post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the register in respect of the shares at his address as appearing in the register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the holder or, in the case of joint holders, to the holder whose name stands first on the register in respect of the shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the company. In addition, any such dividend or other sum may be paid by any bank or other funds transfer system or such other means and to or through such person as the holder or joint holders may in writing direct, and the company shall have no responsibility for any sums lost or delayed in the course



of any such transfer or where it has acted on any such directions. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by them. Where a person is entitled by transmission to a share, any dividend or other sum payable by the company in respect of the share may be paid as if he were a holder of the share and his address noted in the register were his registered address.

#### **Uncashed dividends**

127. The company may cease to send any cheque or warrant through the post or employ any other means of payment for any dividend payable on any shares in the company which is normally paid in that manner on those shares if either (i) in respect of at least two consecutive dividends payable on those shares the cheques or warrants have been returned undelivered or remain uncashed or that means of payment has failed or (ii) following one such occasion reasonable enquiries have failed to establish any new address of the registered holder. Subject to the provisions of these articles, the company may recommence sending cheques or warrants or employing such means in respect of dividends payable on those shares if the holder or person entitled by transmission requests such recommencement in writing.

#### **Forfeiture of unclaimed dividends**

128. Any dividend unclaimed after a period of twelve years from the date when it became due for payment shall be forfeited and shall revert to the company and the payment by the board of any unclaimed dividend or other sum payable on or in respect of a share into a separate account shall not constitute the company a trustee in respect of it.

#### **Dividends not in cash**

129. Any general meeting declaring a dividend may, upon the recommendation of the board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, and where any difficulty arises in regard to the distribution the board may settle it as it thinks expedient, and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may ignore fractions altogether, and may fix the value for distribution purposes of any assets to be distributed and may determine that cash shall be paid to any members upon the footing of the value so fixed in order to secure equality of distribution and may vest any assets to be distributed in trustees as may seem expedient to the board.

### Scrip dividends

130. The board may, if authorised by an ordinary resolution of the company, offer any holders of ordinary shares the right to elect to receive ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the board) of any dividend specified by the ordinary resolution. The following provisions shall apply:
- (a) An ordinary resolution may specify a particular dividend (whether or not already declared) or may specify all or any dividends declared within a specified period, but such period may not end later than the fifth anniversary of the date of the meeting at which the ordinary resolution is passed.
  - (b) The entitlement of each holder of ordinary shares to new ordinary shares shall be such that the relevant value of the entitlement shall be as nearly as possible equal to (but not greater than) the cash amount (disregarding any tax credit) of the dividend that such holder elects to forego. For this purpose "relevant value" shall be calculated by reference to the average of the middle market quotations for the company's ordinary shares on the London Stock Exchange as derived from the Daily Official List, on the day on which the ordinary shares are first quoted "ex" the relevant dividend and the four subsequent dealing days, or in such other manner as may be determined by or in accordance with the ordinary resolution. A certificate or report by the auditors as to the amount of the relevant value in respect of any dividend shall be conclusive evidence of that amount and in giving such a certificate or report the auditors may rely on advice or information from brokers or other sources of information as they think fit.
  - (c) No fraction of any ordinary share shall be allotted. The board may make such provisions as they think fit for any fractional entitlements including provisions whereby, in whole or in part, the benefit thereof accrues to the company and/or under which fractional entitlements are accrued and/or retained and in each case accumulated on behalf of any member and such accruals or retentions are applied to the allotment by way of bonus to or cash subscription on behalf of such member of fully paid ordinary shares and/or provisions whereby cash payments may be made to members in respect of their fractional entitlements.
  - (d) On or as soon as practicable after announcing that it is to declare or recommend any dividend, the board, if it intends to offer an election in respect of that dividend, shall also announce that intention, and shall, after determining the basis of allotment, if it decides to proceed with the offer, notify the holders of ordinary shares in writing of the right of election offered to them, and specify the procedure to be followed and

place at which, and the latest time by which elections must be lodged in order for elections to be effective.

- (e) The board shall not proceed with any election unless the company has sufficient unissued shares authorised for issue and sufficient reserves or funds that may be capitalised to give effect to it after the basis of allotment is determined.
- (f) The board may exclude from any offer any holders of ordinary shares where the board believes that such exclusion is necessary or expedient in relation to legal or practical problems under the laws of , or the requirements of any recognised regulatory body or any stock exchange in, any territory, or the board believes that for any other reason the offer should not be made to them.
- (g) The dividend (or that part of the dividend in respect of which a right of election has been offered) shall not be payable on ordinary shares in respect of which an election has been made ("the elected ordinary shares") and instead additional ordinary shares shall be allotted to the holders of the elected ordinary shares on the basis of allotment calculated as stated. For such purpose the board shall capitalise, out of any amount for the time being standing to the credit of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution as the board may determine, a sum equal to the aggregate nominal amount of the additional ordinary shares to be allotted on that basis and apply it in paying up in full the appropriate number of unissued ordinary shares for allotment and distribution to the holders of the elected ordinary shares on that basis.
- (h) The additional ordinary shares when allotted shall rank *pari passu* in all respects with the fully-paid ordinary shares then in issue except that they will not be entitled to participation in the relevant dividend.
- (i) The board may also from time to time establish or vary a procedure for election mandates, under which a holder of ordinary shares may elect in respect of future rights of election offered to that holder under this article until the election mandate is revoked in accordance with the procedure.

## CAPITALISATION OF RESERVES

### **Power to capitalise reserves and funds**

- 131. The company may, upon the recommendation of the board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit

of any reserve or fund (including the profit and loss account) whether or not the same is available for distribution and accordingly that the amount to be capitalised be set free for distribution among the members or any class of members who would be entitled to it if it were distributed by way of dividend and in the same proportions, on the footing that it is applied either in or towards paying up the amounts for the time being unpaid on any shares in the company held by those members respectively or in paying up in full unissued shares debentures or other obligations of the company to be allotted and distributed credited as fully paid up among those members, or partly in one way and partly in the other, but so that, for the purposes of this article, a share premium account and a capital redemption reserve, and any reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the company. The board may authorise any person to enter into an agreement with the company on behalf of the persons entitled to participate in the distribution providing for the allotment to them respectively of any shares, debentures or other obligations of the company to which they are entitled on the capitalisation and the agreement shall be binding on those persons.

#### **Settlement of difficulties in distribution**

132. Where any difficulty arises in regard to any distribution of any capitalised reserve or fund the board may settle the matter as it thinks expedient and in particular may issue fractional certificates or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any members in order to adjust the rights of all parties, as may seem expedient to the board.

#### **RECORD DATES**

##### **Power to choose any record date**

133. Notwithstanding any other provision of these articles the company or the board may fix any date as the record date for any dividend, distribution, offer, allotment or issue and such record date may be on or at any time before or after any date on which the dividend, distribution, offer, allotment or issue is declared, paid or made.

#### **CLOSURE OF REGISTER**

##### **Closure of register**

134. The register may, subject to compliance with the requirements of the Companies Acts as to advertisement, be closed at such times and for such periods as the

board may from time to time determine so, however, that it shall not be closed for more than thirty days in any one year.

## ACCOUNTING RECORDS AND SUMMARY FINANCIAL STATEMENTS

### **Records to be kept**

135. The board shall cause to be kept accounting records sufficient to show and explain the company's transactions, and such as to disclose with reasonable accuracy at any time the financial position of the company at that time, and which accord with the Companies Acts.

### **Inspection of records**

136. No member in his capacity as such shall have any right of inspecting any accounting record or book or document of the company except as conferred by law or authorised by the board or by ordinary resolution of the company.

### **Summary financial statements**

137. The company may send summary financial statements to members of the company instead of copies of its full accounts and reports.

## SERVICE OF NOTICES AND OTHER DOCUMENTS

### **Service of notices**

138. (A) Any notice or other document (including a share certificate) may be served on or delivered to any member by the company either personally or by sending it through the post addressed to the member at his registered address or by leaving it at that address addressed to the member or by any other means authorised in writing by the member concerned. In the case of joint holders of a share, service or delivery of any notice or other document on or to one of the joint holders shall for all purposes be deemed a sufficient service on or delivery to all the joint holders.
- (B) Any summons, notice, order or other document required to be sent to or served upon the Company, or upon any officer of the company, may be sent or served by leaving the same or sending it through the post in a prepaid registered letter addressed to the Company, or to such officer, at the office.

### **Record date for service**

139. Any notice or other document may be served or delivered by the company by reference to the register as it stands at any time not more than 15 days before the date of service or delivery or at such other time as shall be necessary to give effect to article 133. No change in the register after that time shall invalidate that service or delivery. Where any notice or other document is served on or delivered to any person in respect of a share in accordance with these articles, no person deriving any title or interest in that share shall be entitled to any further service or delivery of that notice or document.

### **Members resident abroad**

140. Any member whose registered address is not within the United Kingdom and who gives to the company an address within the United Kingdom at which notices may be served upon him shall be entitled to have notices served upon him at that address but, unless he does so, shall not be entitled to receive any notice from the company.

### **Service of notice on person entitled by transmission**

141. Where a person is entitled by transmission to a share, any notice or other document shall be served upon or delivered to him, as if he were the holder of that share and his address noted in the register were his registered address. Otherwise, any notice or other document served on or delivered to any member pursuant to these articles shall, notwithstanding that the member is then dead or bankrupt or that any other event giving rise to the transmission of the share by operation of law has occurred and whether or not the company has notice of the death, bankruptcy or other event, be deemed to have been properly served or delivered in respect of any share registered in the name of that member as sole or joint holder.

### **When notice deemed served**

142. Any notice or other document, if sent by the company by post, shall be deemed to have been served or delivered on the day following that on which it was put in the post and, in proving service or delivery, it shall be sufficient to prove that the notice or document was properly addressed, prepaid and put in the post. Any notice or other document not sent by post but left by the company at a registered address shall be deemed to have been served or delivered on the day it was so left. Any notice or other document served or delivered by the company by any other means authorised in writing by the member concerned shall be deemed to have been served when the company has carried out the action it has been authorised to take for that purpose.

### **Notice when post not available**

143. If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the company is unable effectively to convene a general meeting by notice sent through the post, a general meeting may be convened by a notice advertised in at least two daily newspapers with a national circulation and in that event the notice shall be deemed to have been served on all members and persons entitled by transmission, who are entitled to have notice of the meeting served upon them, on the day when the advertisement has appeared in at least two such papers. If at least six clear days prior to the meeting the posting of notices to addresses throughout the United Kingdom has again become practicable, the company shall send confirmatory copies of the notice by post to the persons entitled to receive them.

### **DESTRUCTION OF DOCUMENTS**

#### **Presumptions where documents destroyed**

144. If the company destroys
- (a) any share certificate which has been cancelled at any time after a period of one year has elapsed from the date of cancellation or
  - (b) any instruction concerning the payment of dividends or other moneys in respect of any share or any notification of change of name or address at any time after a period of two years has elapsed from the date the instruction or notification was recorded by the company or
  - (c) any instrument of transfer of shares which has been registered at any time after a period of six years has elapsed from the date of registration or
  - (d) any other document on the basis of which any entry is made in the register at any time after a period of six years has elapsed from the date the entry was first made in the register in respect of it

and the company destroys the document in good faith and without express notice that its preservation was relevant to a claim, it shall be presumed irrebuttably in favour of the company that every share certificate so destroyed was a valid certificate and was properly cancelled, that every instrument of transfer so destroyed was a valid and effective instrument of transfer and was properly registered and that every other document so destroyed was a valid and effective document and that any particulars of it which are recorded in the books or records of the company were correctly recorded. Nothing contained in this article shall be construed as imposing upon the company any liability by reason only of the destruction of any document of the kind mentioned above

before the relevant period mentioned in this article has elapsed or of the fact that any other condition precedent to its destruction mentioned above has not been fulfilled. References in this article to the destruction of any document include references to its disposal in any manner.

## WINDING UP

### **Distribution of assets otherwise than in cash**

145. If the company commences liquidation, the liquidator may, with the sanction of a special resolution of the company and any other sanction required by the Companies Acts,
- (a) divide among the members in kind the whole or any part of the assets of the company (whether they shall consist of property of the same kind or not) and, for that purpose, set such values as he deems fair upon any property to be divided and determine how the division shall be carried out as between the members or different classes of members, or
  - (b) vest the whole or any part of the assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit

but no member shall be compelled to accept any shares or other assets upon which there is any liability.

## INDEMNITY

### **Indemnity of officers**

146. Subject to the provisions of the Companies Acts, the company may indemnify any director or other officer against any liability and may purchase and maintain for any director or other officer insurance against any liability. Subject to those provisions, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every director or other officer of the company shall be indemnified out of the assets of the company against any liability incurred by him as a director or other officer of the company, in defending any proceedings (whether civil or criminal) in which judgment is given in his favour or he is acquitted or in connection with any application under the Companies Acts in which relief is granted to him by the court.

For the purposes of this article no person appointed or employed by the company as an auditor is an officer of the company.



## ARTICLES OF ASSOCIATION

of

OCEAN GROUP plc

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